

Mona Shores
Public Schools



Year Ended
June 30, 2020

Financial
Statements

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MONA SHORES PUBLIC SCHOOLS

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INDEPENDENT AUDITORS' REPORT

October 6, 2020

Board of Education
Mona Shores Public Schools
Muskegon, Michigan

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of *Mona Shores 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 from material misstatement.

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

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

Opinions

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the schedules for the pension and other postemployment benefits plans, as noted 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 and individual fund financial statements and schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain 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 information is 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, under separate cover, our report dated October 6, 2020 on our consideration of Mona Shores Public Schools' internal control over financial reporting and 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 the 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

MONA SHORES PUBLIC SCHOOLS

Management's Discussion and Analysis

As management of Mona Shores 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. We encourage readers to consider the information presented here in conjunction with additional information that is furnished in the financial statements and notes to the financial statements.

Financial Highlights

- The liabilities and deferred inflows of resources of the District exceeded its assets and deferred outflows of resources at the close of the most recent fiscal year by \$32,899,427 (net position). The District’s total net position decreased by \$52,613. Of the total net position, \$33,438,761 represents the District’s net investment in capital assets.
- As of the close of the current fiscal year, the District’s governmental funds reported combined ending fund balances of \$37,774,946, a decrease of \$9,509,815 in comparison with the prior year due primarily to the expenditure of previously issued bonds proceeds. Approximately 8.1% of this total amount, or \$3,054,235, is unassigned fund balance, which is available for use at the District’s discretion.
- At the end of the current fiscal year, the unassigned fund balance for the general fund was \$3,054,235 or 7.6% of total general fund expenditures.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the District’s basic financial statements. The District’s basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains required and other supplementary information in addition to the basic financial statements, including management’s discussion and analysis, schedules for the pension and other postemployment benefit plans, and combining and individual fund statements and schedules.

Government-wide Financial Statements

The government-wide financial statements are full accrual basis statements that provide information about the District’s overall financial status. They are used to help determine whether or not the District is better off, or worse off, as the result of the year’s activities. The *Statement of Net Position* reports all of the District’s assets, deferred outflows of resources, liabilities, and deferred inflows of resources, both short-term and long-term, whether they are “currently available” or not. Capital assets and long-term obligations of the District are reported in this statement. All of the current year’s revenues and expenses are accounted for in the *Statement of Activities*, regardless of when cash is received or paid.

The two government-wide statements report the District’s net position and how they have changed. Net position, the difference between the District’s assets, deferred outflows of resources, liabilities, and deferred inflows of resources, is one way to measure the District’s financial health or position.

- Over time, increases or decreases in net position are an indicator of whether the District’s financial position is improving or deteriorating.
- To assess the District’s overall health, you need to consider additional non-financial factors such as changes in the District’s property tax base, the quality of the education provided, and the condition of the District’s buildings.

MONA SHORES PUBLIC SCHOOLS

Management's Discussion and Analysis

In government-wide statements, the District's activities are classified as *governmental activities*. This includes all of the District's basic instruction and supporting services, such as regular and special education, community services, athletics, food service, and technology. Property taxes and state aid finance most of these services.

Fund Financial Statements

The fund financial statements focus on individual parts of the District, while reporting the District's operations in more detail than the District-wide statements. The fund level statements are reported on a *modified accrual basis*. Only those assets that are "*measurable*" and "*currently available*" are reported. Liabilities are recognized to the extent that they are normally expected to be paid with current financial resources.

Fund statements are formatted to comply with the legal requirements of the Michigan Department of Education's "Accounting Manual." In the State of Michigan, the District's major instructional and instructional support activities are reported in the *general fund*. Additional activities are reported in their relevant funds including: *special revenue funds* for community service activities, food service, and technology, *debt service funds*, *capital projects funds*, and *fiduciary funds*.

In fund financial statements, capital asset purchases are reported as expenditures in the year of acquisition, not as capital assets. The issuance of debt is recorded as a financial resource. The current year's payments of principal and interest on long-term obligations are recorded as expenditures. Future year's debt obligations are not recorded.

Financial Analysis of the District as a Whole

The net position of the District at June 30, 2020 was as follows:

	Net Position	
	2020	2019
Assets		
Current and other assets	\$ 47,788,722	\$ 55,961,181
Capital assets, net	58,477,413	48,547,918
Total assets	<u>106,266,135</u>	<u>104,509,099</u>
Deferred outflows of resources	<u>27,753,243</u>	<u>24,807,183</u>
Liabilities		
Current and other liabilities	100,582,865	92,150,855
Long-term debt	55,789,850	59,156,072
Total liabilities	<u>156,372,715</u>	<u>151,306,927</u>
Deferred inflows of resources	<u>10,546,090</u>	<u>10,856,169</u>
Net position		
Net investment in capital assets	33,438,761	31,372,021
Restricted	3,783,146	1,446,686
Unrestricted (deficit)	(70,121,334)	(65,665,521)
Total net position	<u>\$ (32,899,427)</u>	<u>\$ (32,846,814)</u>

The largest portion of the District's net position reflects investment in capital assets (e.g., land, construction in progress, buildings and improvements, and furniture and equipment), less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to students; consequently, these assets are not available for future spending. Although the District's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay the debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

MONA SHORES PUBLIC SCHOOLS

Management's Discussion and Analysis

The remaining net position, with the exception of the amount specifically restricted for food service operations, debt service, capital projects and technology services, represents the unrestricted portion of the District's net position. Because of the requirement to present the District's proportionate share of the Michigan Public School Employees' Retirement System (MPSERS) net pension and other postemployment benefit liabilities, this unrestricted net position is a deficit.

As noted earlier, net position may serve over time as a useful indicator of the District's financial position. The District reported a deficit net position of \$32,899,427 at June 30, 2020. The requirement to report the District's proportionate share of the MPSERS net pension and other postemployment benefit liabilities on the statement of net position is a significant contributor to this deficit balance. In addition, the interest portion of the debt service payments and depreciation of capital assets will impact the District's net position.

The net position of the District decreased by \$52,613 during the 2020 fiscal year. The table below shows the breakdown of this change. The Statement of Activities, presented later in the government-wide financial statements, provides greater detail on the District's annual activity. The cost of the District's governmental activities for the year was \$52.8 million. However, the amount that the District's taxpayers ultimately financed for these activities was \$38.0 million. \$3.3 million of the cost was paid for by those who benefited from the programs, and \$11.5 million was paid for by other governments and organizations who subsidized certain programs with grants and contributions.

	Change in Net Position	
	2020	2019
Revenues		
Program revenues:		
Charges for services	\$ 3,300,468	\$ 2,933,569
Operating grants and contributions	11,511,405	8,537,946
General revenues:		
Property taxes	11,894,463	11,804,242
State of Michigan aid	25,814,078	25,206,056
Unrestricted grants and contributions	208,293	180,953
Unrestricted investments earnings	45,057	55,881
Total revenues	52,773,764	48,718,647
Expenses		
Instruction	30,332,575	26,850,780
Supporting services	13,363,076	12,833,567
Community services	1,163,317	1,265,128
Athletics	892,896	872,478
Food services	2,069,017	1,408,158
Technology	229,967	268,370
Interest on long-term debt	2,495,278	1,679,038
Depreciation	2,280,251	2,379,549
Total expenses	52,826,377	47,557,068
Change in net position	(52,613)	1,161,579
Net position, beginning of year	<u>(32,846,814)</u>	<u>(34,008,393)</u>
Net position, end of year	<u>\$ (32,899,427)</u>	<u>\$ (32,846,814)</u>

MONA SHORES PUBLIC SCHOOLS

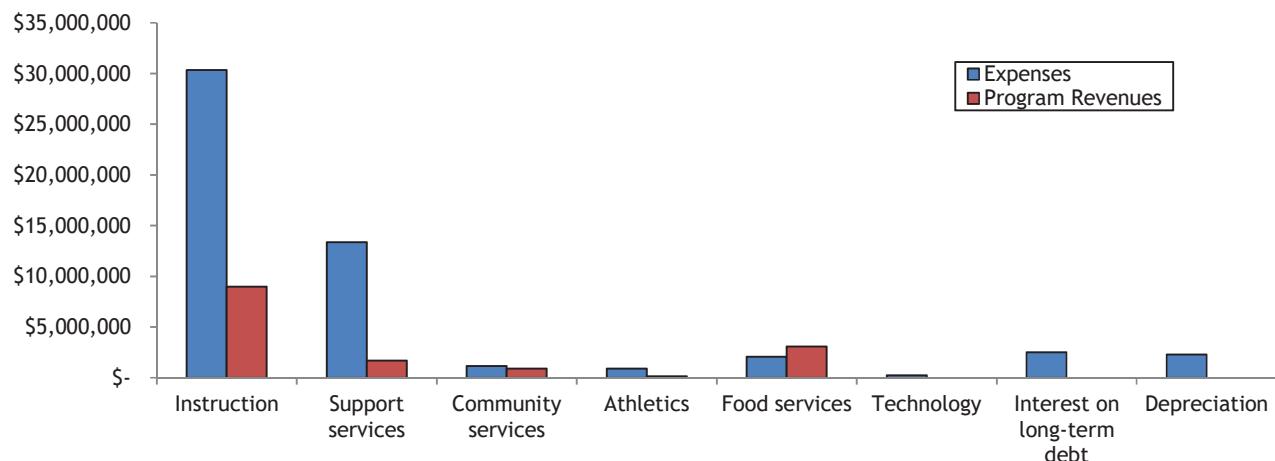
Management's Discussion and Analysis

Operating grants and contributions revenue District-wide increased as compared to the prior year by \$2,973,459, due to Federal lunch reimbursement related to COVID-19 of approximately \$1.7 million and a one-time Act 18 distribution of approximately \$600,000 in addition to various increases in Title and IDEA allocations.

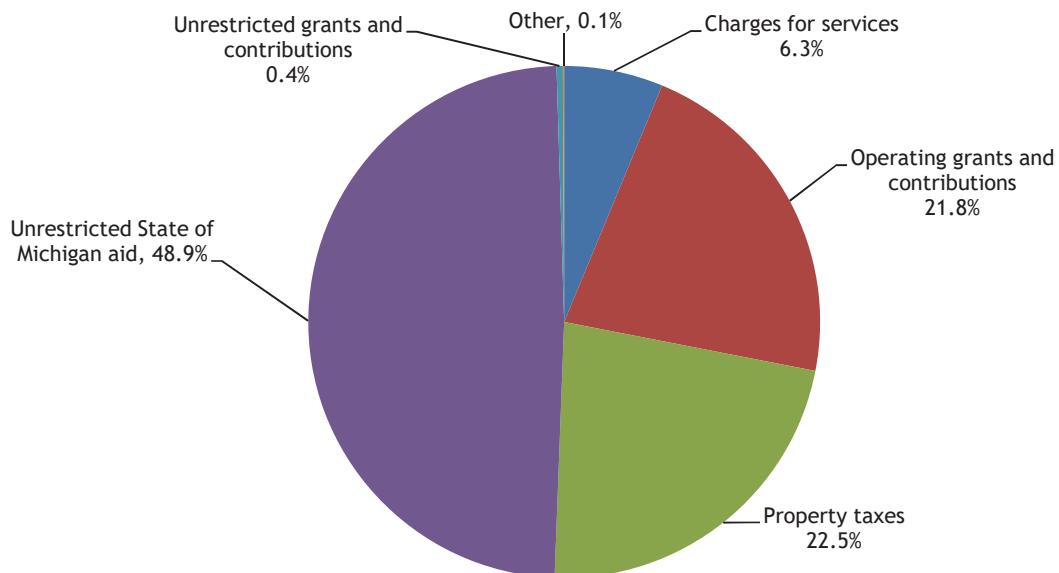
Michigan State Aid revenue increased as compared to the prior year by \$608,022, due to a \$240 per pupil increase in the foundation allowance.

Overall expenses increased by \$5,269,309, or 11.08%, primarily due to changes in the net pension and other postemployment benefit liabilities and related deferred amounts, increased food service costs, and increased interest on long-term debt.

Expenses and Program Revenues - Governmental Activities



Revenues by Source - Governmental Activities



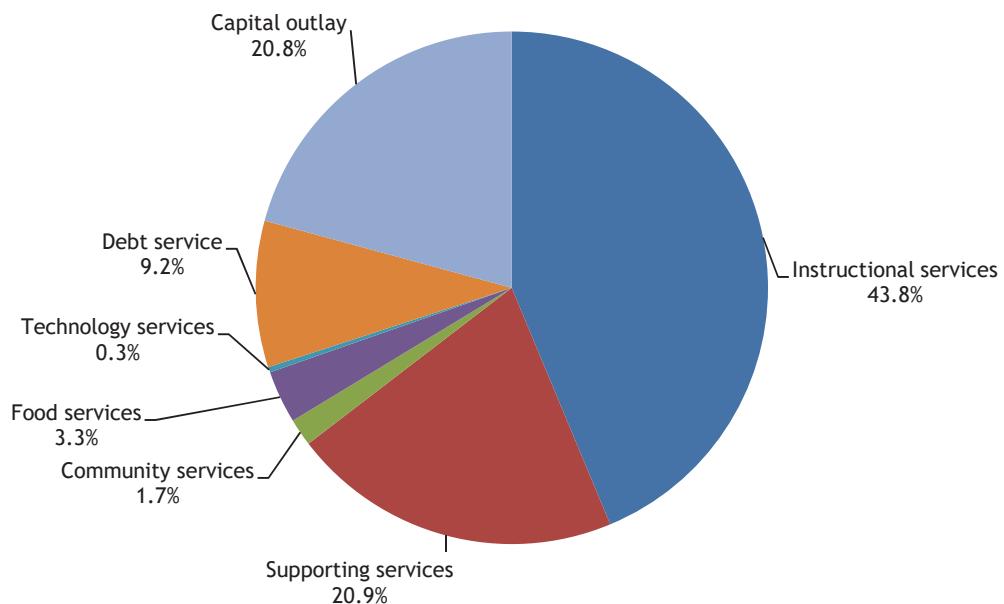
MONA SHORES PUBLIC SCHOOLS

Management's Discussion and Analysis

Financial Analysis of the District's Funds

A substantial portion, 61.8%, of the District's revenue is received from State sources. This portion is consistent with amounts received in the previous year. The financial stability of the District rests primarily with the economic health of the State of Michigan.

Expenditures by Function - Governmental Funds



The above chart reflects the breakdown by functional category of \$62,294,354 in expenditures for the District's governmental funds for 2020. Direct classroom instruction totaling \$27,204,400 is the largest category. Supporting services includes library services, counselors, special education services, administration, clerical staff, maintenance/custodial staff, utilities, insurance and transportation services, which totaled \$13,010,177. Community and food services totaled \$1,083,621 and \$2,069,017, respectively. In addition, the District incurred expenditures of \$775,797 in connection with an enhancement millage through the Muskegon Area Intermediate School District for technology purchases, including capital outlay.

In March 2020, the World Health Organization declared the novel coronavirus outbreak (COVID-19) to be a global pandemic. In response, the Federal government passed the Coronavirus Aid, Relief, and Economic Security Act, also known as the CARES Act, which provided states with various resources to mitigate the economic impact of COVID-19. The Michigan legislature has provided some of those resources to K-12 school districts through several different programs, each with its own set of requirements. While a majority of these funding sources will be recognized in fiscal 2021, a \$175 per pupil reduction in overall fiscal 2020 state aid was recognized in the year under audit.

General Fund

State funding. State aid for the General Fund increased by \$1,510,697 from the prior year mostly due an increase of the foundation allowance of \$240 per pupil in addition to an increase in enrollment.

MONA SHORES PUBLIC SCHOOLS

Management's Discussion and Analysis

Overall expenditures for the General Fund increased by 5.4%, or \$2,073,496. The main reason for the increase was due to reinstatement of teacher salary steps for 2015-16 and 2016-17, granting of teacher salary steps for 2019-20, a 2% teacher salary increase, an increase to teacher longevity and a 3% salary increase district-wide.

Other Major Funds

2019 Capital Projects Fund. The fund incurred expenditures in the current year of \$12,272,277 for various capital improvements related to the 2019 building and site bonds issued in the prior year. Restricted fund balance at year-end totaled \$30,213,350.

General Fund Budgetary Highlights

The Uniform Budget Act of the State of Michigan requires that the local Board of Education approve the original budget for the upcoming fiscal year prior to July 1, the start of the fiscal year. As a matter of practice, the District amends its budget periodically during the school year. These revisions are made in order to deal with unexpected changes in revenues and expenditures. The following analysis describes the reasons for changes in the budget during the year.

Revenues. Final budgeted revenues for the general fund were greater than the original budget by \$2,522,998. The primary reason for this was an increase of \$240 per student foundation allowance, an increase in enrollment of 57 students, increased Title, IDEA and At Risk allocations.

Expenditures. Final budgeted expenditures for the general fund were greater than the original budget by \$2,092,022. The budget for instructional services was increased by \$1,658,741. The primary reasons for these increases were due to reinstatement of teacher salary steps for 2015-16 and 2016-17, granting of teacher salary steps for 2019-20, an increase to teacher longevity and 2% teacher salary increase and a 3% district-wide salary increase.

Capital Asset and Debt Administration

Capital Assets. The District's investment in capital assets for its governmental activities as of June 30, 2020 amounted to \$58,477,413 (net of accumulated depreciation). Significant additions included Churchhill and Lincoln Park renovations, soccer and softball complex, and high school improvements. The following is a summary of the District's capital assets at year-end:

	Capital Assets (Net of Depreciation)	
	2020	2019
Land	\$ 344,401	\$ 344,401
Construction in progress	16,036,636	4,421,010
Buildings and improvements	40,320,732	42,126,702
Building furnishings and equipment	1,775,644	1,655,805
Total capital assets, net	\$ 58,477,413	\$ 48,547,918

Additional information on the District's capital assets can be found in Note 7 of this report.

MONA SHORES PUBLIC SCHOOLS

Management's Discussion and Analysis

Long-term Debt. The following is a summary of the District's long-term debt at year-end:

	Long-Term Debt	
	2020	2019
General obligation bonds	\$ 49,230,000	\$ 52,095,000
Installment purchase agreements	92,278	119,551
Unamortized premiums	5,929,724	6,468,030
Compensated absences	537,848	473,491
Total long-term debt	<u>\$ 55,789,850</u>	<u>\$ 59,156,072</u>

Under State statute, the District is legally restricted from incurring long-term bonded debt in excess of 15% of the assessed value of taxable property within the school district. At June 30, 2020, the District's net bonded debt of \$49,230,000 was well below the legal limit of approximately \$129 million.

Additional information on the District's long-term debt can be found in Note 10 of this report.

Factors Bearing on the District's Future

The following factors were considered in preparing the District's budget for the 2020-2021 fiscal year:

- Student enrollment estimated at prior year enrollment of 3,907 students with a foundation allowance decrease to \$7,611 per student.
- The MPSERS UAAL Rate Stabilization at 12.21% of total payroll.
- Health insurance premiums at prior year level.
- Nine teacher retirements with no replacements.
- The budget for the year ended June 30, 2021 was adopted in June 2020 when there was a high degree of uncertainty related to the funding and operations for districts in the State of Michigan due to the novel coronavirus outbreak (COVID-19). Subsequent to year end, additional funding has been provided by the State of Michigan through various restricted federal grant programs. Despite this, there continues to be a high degree of uncertainty regarding potential changes to state and federal funding. In addition, the District is continuously evaluating the impacts of the pandemic as it determines the appropriate methods to deliver education to students in a safe environment. These factors will have a significant impact on the operational and financial performance of the District.
- On July 1, 2020, PA 123 of 2020 was signed into law, providing funding to the District under the Coronavirus Relief Fund. As part of the August state aid, the District received \$48,163 of District COVID Costs related to this funding that will be recognized in fiscal year 2021.
- On July 31, 2020, PA 146 of 2020 was signed into law, providing funding to the District under the Coronavirus Relief Fund. As part of the August state aid, the District received \$1,368,269 of Coronavirus Relief Funds related to this funding that will be recognized in fiscal year 2021.

Requests for Information

This financial report is designed to provide the District's citizens, taxpayers, parents, students, investors and creditors with a general overview of the District's finances, and to show how the District is accountable for the money it receives. Questions concerning any of the information provided in this report, or requests for additional financial information should be addressed to the Business Office, Mona Shores Public Schools, 121 Randall Road, Muskegon, MI 49441, telephone number (231) 780-4751 extension 8209.

BASIC FINANCIAL STATEMENTS

MONA SHORES PUBLIC SCHOOLS

Statement of Net Position

June 30, 2020

	Governmental Activities
Assets	
Cash and investments	\$ 41,009,128
Receivables, net	6,416,213
Other assets	363,381
Capital assets not being depreciated	16,381,037
Capital assets being depreciated, net	<u>42,096,376</u>
 Total assets	 <u>106,266,135</u>
 Deferred outflows of resources	
Deferred pension amounts	21,609,796
Deferred other postemployment benefit amounts	<u>6,143,447</u>
 Total deferred outflows of resources	 <u>27,753,243</u>
 Liabilities	
Accounts payable and accrued liabilities	8,316,230
Unearned revenue	68,276
Notes payable	1,800,000
Long-term debt:	
Due within one year	4,591,466
Due in more than one year	51,198,384
Net pension liability (due in more than one year)	72,358,304
Net other postemployment benefit liability (due in more than one year)	<u>18,040,055</u>
 Total liabilities	 <u>156,372,715</u>
 Deferred inflows of resources	
Deferred pension amounts	3,407,214
Deferred other postemployment benefit amounts	<u>7,138,876</u>
 Total deferred inflows of resources	 <u>10,546,090</u>
 Net position	
Net investment in capital assets	33,438,761
Restricted for:	
Food service operations	1,538,148
Debt service	464,052
Capital projects	1,765,505
Technology services	15,441
Unrestricted (deficit)	<u>(70,121,334)</u>
 Total net position	 <u>\$ (32,899,427)</u>

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

MONA SHORES PUBLIC SCHOOLS

Statement of Activities For the Year Ended June 30, 2020

Functions / Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Net (Expenses) Revenues
Governmental activities				
Instruction	\$ 30,332,575	\$ 1,756,047	\$ 7,222,566	\$ (21,353,962)
Supporting services	13,363,076	542	1,694,504	(11,668,030)
Community services	1,163,317	883,665	14,300	(265,352)
Athletics	892,896	150,911	-	(741,985)
Food service	2,069,017	509,303	2,580,035	1,020,321
Technology	229,967	-	-	(229,967)
Interest on long-term debt	2,495,278	-	-	(2,495,278)
Depreciation - unallocated	2,280,251	-	-	(2,280,251)
Total governmental activities	\$ 52,826,377	\$ 3,300,468	\$ 11,511,405	(38,014,504)
General revenues				
Property taxes - operations				4,401,491
Property taxes - debt service				5,894,475
Property taxes - capital projects				855,745
Property taxes - technology				742,752
State of Michigan aid - unrestricted				25,814,078
Grants and contributions not restricted to specific programs				208,293
Unrestricted investment earnings				45,057
Total general revenues				37,961,891
Change in net position				(52,613)
Net position, beginning of year				(32,846,814)
Net position, end of year				\$ (32,899,427)

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

MONA SHORES PUBLIC SCHOOLS

Balance Sheet

Governmental Funds

June 30, 2020

	General Fund	2019 Capital Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds
Assets				
Cash and investments	\$ 4,224,993	\$ 32,863,140	\$ 3,920,995	\$ 41,009,128
Receivables:				
Accounts, net	96,138	-	18,109	114,247
Due from other governments	5,571,939	-	730,027	6,301,966
Due from other funds	220,916	-	25,510	246,426
Inventory	-	-	37,525	37,525
Prepaid items	325,856	-	-	325,856
Total assets	\$ 10,439,842	\$ 32,863,140	\$ 4,732,166	\$ 48,035,148
Liabilities				
Accounts payable	\$ 214,184	\$ 2,649,790	\$ 227,577	\$ 3,091,551
Accrued liabilities	4,309,543	-	31,177	4,340,720
Accrued interest payable	42,368	-	-	42,368
Due to other governments	444,882	-	-	444,882
Due to other funds	248,774	-	223,631	472,405
Unearned revenue	-	-	68,276	68,276
Notes payable	1,800,000	-	-	1,800,000
Total liabilities	7,059,751	2,649,790	550,661	10,260,202
Fund balances				
Nonspendable	325,856	-	37,525	363,381
Restricted	-	30,213,350	4,142,330	34,355,680
Committed	-	-	1,650	1,650
Unassigned	3,054,235	-	-	3,054,235
Total fund balances	3,380,091	30,213,350	4,181,505	37,774,946
Total liabilities and fund balances	\$ 10,439,842	\$ 32,863,140	\$ 4,732,166	\$ 48,035,148

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

MONA SHORES PUBLIC SCHOOLS

Reconciliation

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

Fund balances - total governmental funds	\$ 37,774,946
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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	16,381,037
Capital assets being depreciated, net	42,096,376

Certain liabilities, such as bonds payable, are not due and payable in the current period and therefore are not reported in the funds.

General obligation bonds and installment purchase agreement	(49,322,278)
Unamortized bond premium	(5,929,724)
Compensated absences	(537,848)
Accrued interest on long-term debt	(396,709)

Certain pension and other postemployment benefit-related amounts, such as the net pension liability, the net other postemployment benefit liability and related deferred amounts are not due and payable in the current period or do not represent current financial resources and therefore are not reported in the funds.

Net pension liability	(72,358,304)
Deferred outflows related to the net pension liability	21,609,796
Deferred inflows related to the net pension liability	(3,407,214)
Net other postemployment benefit liability	(17,814,076)
Deferred outflows related to the net other postemployment benefit liability	6,143,447
Deferred inflows related to the net other postemployment benefit liability	<u>(7,138,876)</u>

Net position of governmental activities	<u>\$ (32,899,427)</u>
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The accompanying notes are an integral part of these basic financial statements.

MONA SHORES PUBLIC SCHOOLS

Statement of Revenues, Expenditures and Changes in Fund Balances

Governmental Funds

For the Year Ended June 30, 2020

	General Fund	2019 Capital Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds
Revenues				
Local sources	\$ 4,744,885	\$ 951,092	\$ 8,919,498	\$ 14,615,475
State sources	32,530,705	-	65,898	32,596,603
Federal sources	1,183,453	-	2,594,335	3,777,788
Interdistrict	1,756,047	-	-	1,756,047
Other revenue	-	27,851	-	27,851
Total revenues	40,215,090	978,943	11,579,731	52,773,764
Expenditures				
Current:				
Instructional services	27,204,400	-	-	27,204,400
Supporting services	13,010,177	-	-	13,010,177
Community services	31,086	-	1,052,535	1,083,621
Food services	-	-	2,069,017	2,069,017
Technology	-	-	216,665	216,665
Debt service:				
Principal	27,273	-	2,865,000	2,892,273
Interest expense and other charges	3,593	-	2,857,659	2,861,252
Capital outlay	-	12,272,277	684,672	12,956,949
Total expenditures	40,276,529	12,272,277	9,745,548	62,294,354
Revenues over (under) expenditures	(61,439)	(11,293,334)	1,834,183	(9,520,590)
Other financing sources (uses)				
Transfers in	6,000	-	171,716	177,716
Transfers out	(171,716)	-	(6,000)	(177,716)
Proceeds from sale of capital assets	10,775	-	-	10,775
Total other financing sources (uses)	(154,941)	-	165,716	10,775
Net changes in fund balances	(216,380)	(11,293,334)	1,999,899	(9,509,815)
Fund balances, beginning of year	<u>3,596,471</u>	<u>41,506,684</u>	<u>2,181,606</u>	<u>47,284,761</u>
Fund balances, end of year	\$ 3,380,091	\$ 30,213,350	\$ 4,181,505	\$ 37,774,946

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

MONA SHORES PUBLIC SCHOOLS

Reconciliation

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

Net change in fund balances - total governmental funds	\$ (9,509,815)
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Amounts reported for *governmental activities* in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Purchase of capital assets	12,236,946
Depreciation expense	(2,280,251)
Proceeds from sale of capital assets	(10,775)
Loss on sale of capital assets	(16,425)

Bond proceeds provide current financial resources to governmental funds in the period issued, but issuing bonds increases long-term liabilities in the statement of net position. Repayment of bond principal and other obligations is an expenditure in the governmental funds, but a reduction in long-term liabilities in the statement of net position.

Principal payments on long-term debt	2,892,273
Amortization of bond premium	538,306

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the funds.

Change in accrued interest payable on bonds	365,974
Change in the accrual for compensated absences	(64,357)
Change in the net pension liability and related deferred amounts	(5,415,403)
Change in the net other postemployment benefit liability and related deferred amounts	<u>1,210,914</u>

Change in net position of governmental activities	\$ (52,613)
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The accompanying notes are an integral part of these basic financial statements.

MONA SHORES PUBLIC SCHOOLS

Statement of Revenues, Expenditures and Changes in Fund Balance

Budget and Actual - General Fund

For the Year Ended June 30, 2020

With Comparative Totals for the Year Ended June 30, 2019

	Original Budget	Final Budget	Actual	Variance With Final Budget	2019 Actual
Revenues					
Local sources:					
Property taxes	\$ 4,476,010	\$ 4,420,346	\$ 4,401,491	\$ (18,855)	\$ 4,555,196
Investment income	17,000	14,000	14,092	92	18,952
Athletics	151,540	146,125	150,911	4,786	142,464
Other	113,400	172,850	178,391	5,541	160,770
State sources	31,353,671	33,192,967	32,530,705	(662,262)	31,020,008
Federal sources	1,283,790	1,417,121	1,183,453	(233,668)	1,257,529
Interdistrict sources	1,216,500	1,771,500	1,756,047	(15,453)	1,208,419
Total revenues	<u>38,611,911</u>	<u>41,134,909</u>	<u>40,215,090</u>	<u>(919,819)</u>	<u>38,363,338</u>
Expenditures					
Current:					
Instructional services:					
Basic programs	21,267,722	22,192,869	22,065,928	(126,941)	20,865,971
Added needs	4,598,386	5,331,980	5,138,472	(193,508)	4,430,488
	<u>25,866,108</u>	<u>27,524,849</u>	<u>27,204,400</u>	<u>(320,449)</u>	<u>25,296,459</u>
Supporting services:					
Pupil services	2,441,036	2,577,713	2,676,202	98,489	2,449,807
Instructional staff	985,460	1,073,346	1,046,387	(26,959)	1,031,155
General administration	514,614	505,441	564,242	58,801	528,188
School administration	2,368,242	2,435,521	2,352,456	(83,065)	2,330,715
Business services	517,747	549,558	598,219	48,661	533,090
Operations and maintenance	2,965,803	2,817,922	2,821,549	3,627	2,830,823
Transportation	987,220	1,064,822	1,045,391	(19,431)	1,126,291
Central support	887,523	1,053,465	982,012	(71,453)	1,076,500
Other support	947,551	953,084	923,719	(29,365)	949,611
	<u>12,615,196</u>	<u>13,030,872</u>	<u>13,010,177</u>	<u>(20,695)</u>	<u>12,856,180</u>
Community services	<u>6,913</u>	<u>24,518</u>	<u>31,086</u>	<u>6,568</u>	<u>16,647</u>
Debt service:					
Principal	28,000	28,000	27,273	(727)	25,696
Interest expense and other charges	5,700	5,700	3,593	(2,107)	8,051
	<u>33,700</u>	<u>33,700</u>	<u>30,866</u>	<u>(2,834)</u>	<u>33,747</u>
Total expenditures	<u>38,521,917</u>	<u>40,613,939</u>	<u>40,276,529</u>	<u>(337,410)</u>	<u>38,203,033</u>

continued...

MONA SHORES PUBLIC SCHOOLS

Statement of Revenues, Expenditures and Changes in Fund Balance

Budget and Actual - General Fund

For the Year Ended June 30, 2020

With Comparative Totals for the Year Ended June 30, 2019

	Original Budget	Final Budget	Actual	Variance With Final Budget	2019 Actual
Revenues over (under) expenditures	\$ 89,994	\$ 520,970	\$ (61,439)	\$ (582,409)	\$ 160,305
Other financing sources (uses)					
Transfers in	4,000	4,000	6,000	2,000	3,500
Transfers out	(65,000)	(136,500)	(171,716)	35,216	-
Proceeds from sale of capital assets	3,000	10,750	10,775	25	3,000
Issuance of long-term debt - installment purchase agreement	-	-	-	-	145,247
Total other financing sources (uses)	(58,000)	(121,750)	(154,941)	(33,191)	151,747
Net changes in fund balance	31,994	399,220	(216,380)	(615,600)	312,052
Fund balance, beginning of year	3,596,471	3,596,471	3,596,471	-	3,284,419
Fund balance, end of year	<u>\$ 3,628,465</u>	<u>\$ 3,995,691</u>	<u>\$ 3,380,091</u>	<u>\$ (615,600)</u>	<u>\$ 3,596,471</u>

concluded

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

MONA SHORES PUBLIC SCHOOLS

Statement of Net Position

Internal Service Fund

June 30, 2020

Assets

Due from other funds	\$ 225,979
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Liabilities

Noncurrent liabilities:

Total other postemployment benefit liability	<u>225,979</u>
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Net position

Unrestricted	<u><u>\$ -</u></u>
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The accompanying notes are an integral part of these basic financial statements.

MONA SHORES PUBLIC SCHOOLS

Statement of Revenues, Expenses and Changes in Fund Net Position

Internal Service Fund
For the Year Ended June 30, 2020

Operating revenues	
Charges for services	\$ 116,896
Operating expenses	
Wages and benefits	<u>116,896</u>
Operating income	-
Net position, beginning of year	<u>-</u>
Net position, end of year	<u>\$ -</u>

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

MONA SHORES PUBLIC SCHOOLS

Statement of Cash Flows

Internal Service Fund

For the Year Ended June 30, 2020

Cash flows from operating activities		
Receipts for interfund services	\$	116,896
Payments to vendors and employees		<u>(116,896)</u>
Net cash provided by operating activities		-
Cash and cash equivalents, beginning of year		<u>-</u>
Cash and cash equivalents, end of year	\$	<u>-</u>
Cash flows from operating activities		
Operating income	\$	-
Adjustments to reconcile operating income to net cash provided by operating activities:		
Change in operating assets and liabilities that provided (used) cash:		
Due from other funds		(53,966)
Total other postemployment benefit liability		<u>53,966</u>
Net cash provided by operating activities	\$	<u>-</u>

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

MONA SHORES PUBLIC SCHOOLS

Statement of Fiduciary Assets and Liabilities

Agency Fund

June 30, 2020

Student
Activities Fund

Assets

Cash and investments	\$ <u>857,084</u>
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Liabilities

Due to student groups	\$ <u>857,084</u>
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The accompanying notes are an integral part of these basic financial statements.

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NOTES TO FINANCIAL STATEMENTS

MONA SHORES PUBLIC SCHOOLS

Notes to Financial Statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A summary of the significant accounting policies of Mona Shores Public Schools (the "District"), consistently applied in the preparation of the accompanying financial statements, is as follows:

The Reporting Entity

The District is governed by an elected seven-member Board of Education. As required by generally accepted accounting principles, these financial statements present the reporting entity of Mona Shores Public Schools. The criteria identified in GAAP, including financial accountability, have been utilized in identifying the District's reporting entity which includes no component units.

Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. The District had no *business-type activities* during the year ended June 30, 2020.

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

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds even though the latter are excluded from the government-wide financial statements.

Major individual governmental funds are reported in separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. 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. The agency fund follows the accrual basis of accounting, but does not have a measurement focus.

MONA SHORES PUBLIC SCHOOLS

Notes to Financial Statements

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

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

The District reports the following major governmental funds:

General fund - This fund is the District's primary operating fund. It accounts for all financial resources of the general government, except those accounted for and reported in another fund.

2019 capital projects fund - This fund is used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets, related to the 2019 building and site bonds.

Additionally, the District reports the following fund types:

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

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

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

The *internal service fund* accounts for the cost of providing specific benefits to retired employees. Operating expenses are recognized in the funds generating the liabilities.

The *agency fund* accounts for resources held on behalf of other individuals and governments. The District maintains a Student Activities Fund to record the transactions of student and parent groups for school and school-related purposes. The funds are segregated and held in trust for the students and parents.

MONA SHORES PUBLIC SCHOOLS

Notes to Financial Statements

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. The District has no capital grants and contributions for the year ended June 30, 2020. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes, unrestricted grants and interest income.

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.

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 principal operating revenue of the internal service fund is charges to other funds to recover the costs of benefits to retired employees. Operating expenses for the internal service fund includes the cost of services. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

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

Budgets and Budgetary Accounting

Budgets are adopted for general and special revenue funds as required by state law and are adopted on a basis consistent with generally accepted accounting principles (GAAP). The District considers the debt service payment schedule to be an adequate budgetary control. The District follows these procedures in establishing the budgetary data reflected in the financial statements:

1. The Superintendent submits to the Board a proposed operating budget for the fiscal year commencing the following July 1.
2. Public hearings are conducted to obtain taxpayer comments.
3. The budget is legally enacted through passage of a resolution.
4. Formal budgetary integration is employed as a management control device during the year for all governmental funds requiring budgets.
5. Adoption and amendments of all budgets used by the District are governed by Public Act 621, which was followed for the year ended June 30, 2020. Expenditures may not exceed appropriations at the activity level. The appropriations resolutions are based on the projected expenditures budget of the budgetary department heads of the District. Any amendment to the original budget must meet the requirements of Public Act 621. Any revisions that alter the total expenditures of any fund must be approved by the Board of Education.

Property Taxes

Property taxes are recognized as revenue in the general, debt service and bond sinking funds on a levy year basis. The 2019 levy amounts are recognized as current property tax revenue to the extent they are collected during the year or within sixty days after year end. Collections of delinquent taxes in subsequent years are recognized as property tax revenues in the year collected. Assessed values are established annually by the various governmental units within the District and are equalized by the State of Michigan.

MONA SHORES PUBLIC SCHOOLS

Notes to Financial Statements

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

Cash and Investments

Cash and cash equivalents include cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are generally stated at fair value; however, the District also participates in an external investment pool. In accordance with GASB 79, the District's shares are recorded at amortized cost, which approximates fair value.

Receivables and Revenues

In general, outstanding balances between funds are reported as "due to/from other funds." Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "advances to/from other funds."

For the District, all properties are assessed as of December 31 and the related property taxes are levied and become a lien on July 1 for 100 percent of the taxes which are due September 15 and February 15.

The State of Michigan utilizes a foundation allowance approach, which provides for a specific annual amount of revenue per student based on a state-wide formula. The foundation allowance is funded from a combination of state and local sources. Revenues from state sources are primarily governed by the District Aid Act and the School Code of Michigan. The State portion of the foundation is provided from the State's School Aid Fund and is recognized as revenue in accordance with state law and accounting principles generally accepted in the United States of America.

The District also receives revenue from the state to administer certain categorical education programs. State rules require that revenue earmarked for these programs be used for its specific purpose. Certain categorical funds require an accounting to the State of the expenditures incurred. For categorical funds meeting this requirement, funds received, which are not expended by the close of the fiscal year, are recorded as unearned revenue. Other categorical funding is recognized when the appropriation is received.

Inventory and Prepays

Inventory is stated at cost (first-in, first-out), and consists primarily of food and cafeteria supplies in the food service fund.

Payments to vendors for services that will benefit periods beyond a fund's fiscal year-end are recorded as prepaid items in both the government-wide and fund financial statements.

MONA SHORES PUBLIC SCHOOLS

Notes to Financial Statements

Capital Assets

Capital assets, which include land, buildings, equipment, and vehicles, are reported in the governmental activities column in the government-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 if purchased or constructed. Donated capital assets are recorded at estimated acquisition cost at the date of donation.

The costs of normal repair and maintenance that do not add to the value or materially extend asset 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:

Years	
Buildings and additions	7-50
Buses and other vehicles	7-10
Furniture and other equipment	5-20

Deferred Outflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and 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 and other postemployment benefit liabilities. A portion of these costs represent contributions to the plans subsequent to the plan measurement date.

Salaries Payable and Accrued Employee Benefits

A liability is recorded at June 30 for those amounts owed to teachers 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.

Long-term Obligations

Bond premiums and discounts are deferred and amortized over the life of the related bonds using the sum-of-the-years-digits method which approximates the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

MONA SHORES PUBLIC SCHOOLS

Notes to Financial Statements

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.

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 other postemployment benefit costs.

Compensated Absences and Retirement Benefits

Most employees of the District are compensated for leaves of absences chargeable to sick days. Each school year, the covered employees are credited with a number of sick days and any unused portion of such allowances can accumulate. Upon retirement, those employees who meet certain age and years of service requirements will be paid for a portion of sick days accumulated and at a rate determined by their job category.

The liability for these benefits has been computed using the vesting method in accordance with Governmental Accounting Standards Board Statement No. 16. This liability is shown on the statement of net position.

The District also pays teachers and administrators retiring from the District through payments made to their 403(b) account and health insurance stipends.

Fund Equity

Governmental funds report nonspendable fund balance for amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. Restricted fund balance is reported when externally imposed constraints are placed on the use of 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 of Education. A formal resolution of the Board of Education is required to establish, modify, or rescind a fund balance commitment. The District reports assigned fund balance for amounts that are constrained by the government's intent to be used for specific purposes, but are neither restricted nor committed. The District currently has no assigned fund balance, as the Board of Education has not yet given the authority for the making of such assignments. 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.

MONA SHORES PUBLIC SCHOOLS

Notes to Financial Statements

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 liability, the net other postemployment benefit liability, deferred outflows of resources and deferred inflows of resources related to pensions and other postemployment benefits, and pension and other postemployment benefit expense, information about the fiduciary net position of the plan and additions to/deductions from the plan fiduciary net position have been determined on the same basis as they are reported by the plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Use of Estimates

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

2. STATE OF MICHIGAN SCHOOL AID

The District reports State of Michigan school aid in the fiscal year in which the District is entitled to the revenue as provided by State of Michigan school aid appropriation acts. State funding represented 81% of the District's general fund revenue during the 2020 fiscal year.

3. BUDGETARY COMPLIANCE

Excess of Expenditures over Appropriations in Budgetary Funds

During the year ended June 30, 2020, the District incurred expenditures in certain budgetary funds which were in excess of the amounts appropriated, as follows:

Major Fund	Total Appropriations	Total of Expenditures	Budget Variance
General fund:			
Current:			
Supporting services:			
Pupil services	\$ 2,577,713	\$ 2,676,202	\$ 98,489
General administration	505,441	564,242	58,801
Business services	549,558	598,219	48,661
Operations and maintenance	2,817,922	2,821,549	3,627
Community services	24,518	31,086	6,568
Transfers out	136,500	171,716	35,216

MONA SHORES PUBLIC SCHOOLS

Notes to Financial Statements

4. DEPOSITS AND INVESTMENTS

Cash and investments are comprised of the following at year-end:

	Governmental Activities	Fiduciary Funds	Total
Cash and investments	\$ 41,009,128	\$ 857,084	\$ 41,866,212
Checking and savings accounts			\$ 6,594,923
Investments			35,268,689
Petty cash			2,600
Total			\$ 41,866,212

Michigan law authorizes the School District to deposit and invest in:

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

The District has designated numerous banks and brokers for the deposit of its funds. All accounts are in the name of the District and a specific fund or common account.

MONA SHORES PUBLIC SCHOOLS

Notes to Financial Statements

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

	Maturity	Carrying Value	Rating
External investment pools:			
Michigan Liquid Asset Fund (MILAF):			
MILAF + Portfolio:			
Cash management class	N/A	\$ 8,456,766	AAAm S&P
MAX class	N/A	5,755,203	AAAm S&P
U.S. Treasury Note	9/30/2020	2,697,986	AA+ S&P
U.S. Treasury Note	10/31/2020	2,133,837	AA+ S&P
U.S. Treasury Note	11/30/2020	1,793,350	AA+ S&P
U.S. Treasury Note	12/31/2020	1,572,980	AA+ S&P
U.S. Treasury Note	1/31/2021	1,651,275	AA+ S&P
U.S. Treasury Note	2/15/2021	1,635,945	AA+ S&P
U.S. Treasury Note	3/31/2021	1,690,756	AA+ S&P
U.S. Treasury Note	4/30/2021	1,873,550	AA+ S&P
U.S. Treasury Note	5/31/2021	2,092,641	AA+ S&P
U.S. Treasury Note	6/30/2021	<u>3,914,400</u>	AA+ S&P
Total		<u>\$ 35,268,689</u>	

The District's cash and investments are subject to several types of risk, which are examined in more detail below.

Investment and Deposit Risk

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

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 District's specific financial institutions, qualified mutual funds, and qualified external investment pools as identified 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 previously for investments held at year-end.

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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. The District minimizes this risk by pre-qualifying the financial institutions, broker/dealers, intermediaries, and advisors to be in compliance with the requirements set forth in the District's investment policy. As of year-end, \$7,075,548 of the District's bank balance of \$7,393,894 was exposed to custodial credit risk because it was uninsured and uncollateralized.

Custodial Credit Risk - Investments. For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The District minimizes this risk by pre-qualifying the financial institutions, brokers/dealers, intermediaries and advisors to be in compliance with the requirements set forth in the District's investment policy. Of the external investment pools the District's custodial credit risk exposure can not be determined because they contain mutual funds which do not consist of specifically identifiable securities.

Concentration of Credit Risk. State law limits allowable investments but does not limit concentration of credit risk as identified above. The District's investment policy does not have specific limits in excess of state law on concentration of credit risk.

Fair Value Measurement

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

The District has the following recurring fair value measurements as of June 30, 2020:

	Level 1	Level 2	Level 3	Total
U.S. Treasury Notes	\$ -	\$ 21,056,720	\$ -	\$ 21,056,720
Assets carried at amortized cost:				
External investment pools:				
Michigan Liquid Asset Fund (MILAF):				
MILAF + Portfolio:				
Cash management class				8,456,766
MAX class				5,755,203
Total investments				\$ 35,268,689

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Notes to Financial Statements

5. RECEIVABLES AND PAYABLES

Receivables are comprised of the following at year-end:

	Governmental Activities
Accounts	\$ 121,481
Allowance for doubtful accounts	(7,234)
Due from other governments	<u>6,301,966</u>
 Total	 <u>\$ 6,416,213</u>

Accounts payable and accrued liabilities in the government-wide financial statements are as follows:

	Governmental Activities
Accounts	\$ 3,091,551
Accrued liabilities	4,340,720
Due to other governments	444,882
Accrued interest on short-term debt	42,368
Accrued interest on long-term debt	<u>396,709</u>
 Total	 <u>\$ 8,316,230</u>

6. OTHER ASSETS

Other assets in the government-wide financial statements are as follows:

	Governmental Activities
Prepaid items	\$ 325,856
Inventory	<u>37,525</u>
 Total	 <u>\$ 363,381</u>

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Notes to Financial Statements

7. CAPITAL ASSETS

A summary of changes in capital assets activity for the year ended June 30, 2020 was as follows:

	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
Governmental activities					
Capital assets, not being depreciated:					
Land	\$ 344,401	\$ -	\$ -	\$ -	\$ 344,401
Construction in progress	4,421,010	11,615,626	-	-	16,036,636
	<u>4,765,411</u>	<u>11,615,626</u>	<u>-</u>	<u>-</u>	<u>16,381,037</u>
Capital assets, being depreciated:					
Building and improvements	73,718,303	148,787	(80,000)	-	73,787,090
Building furnishings and equipment	24,177,628	472,533	(746,336)	-	23,903,825
	<u>97,895,931</u>	<u>621,320</u>	<u>(826,336)</u>	<u>-</u>	<u>97,690,915</u>
Less accumulated depreciation for:					
Building and improvements	(31,591,601)	(1,927,557)	52,800	-	(33,466,358)
Building furnishings and equipment	(22,521,823)	(352,694)	746,336	-	(22,128,181)
	<u>(54,113,424)</u>	<u>(2,280,251)</u>	<u>799,136</u>	<u>-</u>	<u>(55,594,539)</u>
Total capital assets being depreciated, net	<u>43,782,507</u>	<u>(1,658,931)</u>	<u>(27,200)</u>	<u>-</u>	<u>42,096,376</u>
Governmental activities capital assets, net	<u>\$ 48,547,918</u>	<u>\$ 9,956,695</u>	<u>\$ (27,200)</u>	<u>\$ -</u>	<u>\$ 58,477,413</u>

Depreciation expense was reported as unallocated on the statement of activities.

As of year-end, the District had outstanding construction commitments in the amount of approximately \$33,321,000.

8. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

At June 30, 2020, interfund receivables and payables consisted of the following:

	Due from Other Funds	Due to Other Funds
General Fund	\$ 220,916	\$ 248,774
Nonmajor governmental funds	25,510	223,631
Internal service fund	<u>225,979</u>	<u>-</u>
	<u>\$ 472,405</u>	<u>\$ 472,405</u>

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Notes to Financial Statements

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

For the year ended June 30, 2020, an interfund transfer in the amount of \$6,000 was made in order to reflect indirect costs reimbursed to the general fund by the food service special revenue fund. In addition, the District transferred \$100,000 and \$71,716 to the community services and food service funds, respectively, from the general fund to support operations.

9. SHORT-TERM DEBT

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

	Beginning Balance	Additions	Deductions	Ending Balance
School aid anticipation note (maturing August 21, 2020) with an interest rate of 2.69% (operating cash flow)	\$ 1,800,000	\$ 1,800,000	\$ (1,800,000)	\$ 1,800,000

10. LONG-TERM DEBT

The District issues bonds, notes, 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 an installment purchase agreement for equipment purchases and compensated absences. The following is a summary of long-term debt transactions of the District for the year ended June 30, 2020:

	Beginning Balance	Additions	Deductions	Ending Balance	Due Within One Year
Governmental activities					
General obligation bonds	\$ 52,095,000	\$ -	\$ (2,865,000)	\$ 49,230,000	\$ 3,515,000
Notes from direct borrowings and direct placements:					
Installment purchase agreement	119,551	-	(27,273)	92,278	28,947
	52,214,551	-	(2,892,273)	49,322,278	3,543,947
Unamortized premiums	6,468,030	-	(538,306)	5,929,724	509,671
Compensated absences	473,491	537,848	(473,491)	537,848	537,848
Total governmental activities	\$ 59,156,072	\$ 537,848	\$ (3,904,070)	\$ 55,789,850	\$ 4,591,466

Compensated absences are generally liquidated by the general fund.

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Notes to Financial Statements

	Ending Balance	Due Within One Year
General obligation bonds		
2016 building and site bonds due in amounts ranging from \$50,000 to \$1,015,000 plus interest ranging from 4.0-5.0% through 2030 (unlimited tax, general obligation)	\$ 10,140,000	\$ 1,015,000
2019 building and site bonds due in amounts ranging from \$250,000 to \$2,500,000 plus interest ranging from 4.0-5.0% through 2048 (unlimited tax, general obligation)	<u>39,090,000</u>	<u>2,500,000</u>
Total	<u>\$ 49,230,000</u>	<u>\$ 3,515,000</u>

The District's notes from direct borrowings and direct placements consists of the following item:

	Ending Balance	Due Within One Year
Copier lease purchase agreement due in monthly installments of \$2,806, including interest at 5.97%, through June 2023.	<u>\$ 92,278</u>	<u>\$ 28,947</u>

Annual debt service requirements to maturity for long-term debt are as follows:

Year Ended June 30,	Governmental Activities				
	General Obligation Bonds		Notes from Direct Borrowings and Direct Placements		
	Principal	Interest	Principal	Interest	
2021	\$ 3,515,000	\$ 2,380,250	\$ 28,947	\$ 4,725	
2022	1,265,000	2,239,650	30,723	2,949	
2023	1,315,000	2,189,050	32,608	1,064	
2024	1,365,000	2,136,450	-	-	
2025	1,440,000	2,078,350	-	-	
2026-2030	8,140,000	9,295,250	-	-	
2031-2035	6,500,000	7,435,000	-	-	
2036-2040	8,375,000	5,622,500	-	-	
2041-2045	10,250,000	3,341,250	-	-	
2046-2048	<u>7,065,000</u>	<u>714,750</u>	<u>-</u>	<u>-</u>	
	<u>\$ 49,230,000</u>	<u>\$ 37,432,500</u>	<u>\$ 92,278</u>	<u>\$ 8,738</u>	

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Notes to Financial Statements

11. RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During the year ended June 30, 2020, the District carried commercial insurance to cover losses related to these risks. The District has had no settled claims resulting from these risks that exceeded their commercial coverage in any of the past three fiscal years.

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

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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.

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Notes to Financial Statements

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 \$6,258,390, which included \$2,445,752, 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 \$1,618,900.

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Notes to Financial Statements

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 \$158,260.

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 \$72,358,304 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 0.21850%, which was an increase of 0.00432% from its proportion measured as of September 30, 2018.

For the year ended June 30, 2020, the District recognized pension expense of \$11,637,507. 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	\$ 324,333	\$ 301,727	\$ 22,606
Changes in assumptions	14,167,807	-	14,167,807
Net difference between projected and actual earnings on pension plan investments	-	2,318,961	(2,318,961)
Changes in proportion and differences between employer contributions and proportionate share of contributions	1,194,522	786,526	407,996
	15,686,662	3,407,214	12,279,448
District contributions subsequent to the measurement date	5,923,134	-	5,923,134
Total	\$ 21,609,796	\$ 3,407,214	\$ 18,202,582

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Notes to Financial Statements

The \$5,923,134 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	\$ 4,930,027
2022	3,746,695
2023	2,511,875
2024	<u>1,090,851</u>
 Total	<u>\$ 12,279,448</u>

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 \$15,966,895 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 0.22245% which was an increase of 0.01264% from its proportion measured as of September 30, 2018.

For the year ended June 30, 2020, the District recognized OPEB expense of \$457,753. 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	\$ -	\$ 5,858,705	\$ (5,858,705)
Changes in assumptions	3,459,703	-	3,459,703
Net difference between projected and actual earnings on OPEB plan investments	-	277,672	(277,672)
Changes in proportion and differences between employer contributions and proportionate share of contributions	<u>931,141</u>	<u>541,658</u>	<u>389,483</u>
	<u>4,390,844</u>	<u>6,678,035</u>	<u>(2,287,191)</u>
District contributions subsequent to the measurement date	<u>1,469,581</u>	<u>-</u>	<u>1,469,581</u>
 Total	<u>\$ 5,860,425</u>	<u>\$ 6,678,035</u>	<u>\$ (817,610)</u>

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Notes to Financial Statements

The \$1,469,581 reported as deferred outflows of resources related to OPEB resulting from employer contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ended June 30,	Amount
2021	\$ (693,978)
2022	(693,978)
2023	(556,080)
2024	(283,904)
2025	<u>(59,251)</u>
 Total	 <u>\$ (2,287,191)</u>

Actuarial Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations. The total pension and OPEB liabilities in the September 30, 2018 actuarial valuation were determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

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Notes to Financial Statements

Survivor coverage	80% of male retirees and 67% of female retirees are assumed to have coverages continuing after the retiree's death
Coverage election at retirement	75% of male and 60% of female future retirees are assumed to elect coverage for 1 or more dependents

Assumption changes as a result of an experience study for the period 2012 through 2017 have been adopted by the System for use in the annual pension and OPEB valuations beginning with the September 30, 2017 valuation. The total pension and OPEB liabilities as of September 30, 2019, are based on the results of an actuarial valuation date of September 30, 2018, and rolled forward using generally accepted actuarial procedures, including the experience study. The recognition period for pension liabilities is 4.4977 years which is the average of the expected remaining service lives of all employees. The recognition period for OPEB liabilities is 5.7101 years which is the average of the expected remaining service lives of all employees. The recognition period for assets is 5 years.

Long-term Expected Return on Pension Plan Assets

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of September 30, 2019, are summarized in the following table:

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

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Notes to Financial Statements

Long-term Expected Return on OPEB Plan Assets

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the OPEB plan's target asset allocation as of September 30, 2019, are summarized in the following table:

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

Rate of Return

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

MONA SHORES PUBLIC SCHOOLS

Notes to Financial Statements

Discount Rate

A discount rate of 6.80% was used to measure the total pension liability (6.80% for the Pension Plus plan, 6.00% for the Pension Plus 2 plan, both of which are hybrid plans provided through non-university employers only) and a discount rate of 6.95% was used to measure the total OPEB liability. This discount rate was based on the long-term expected rate of return on pension and OPEB plan investments of 6.80% (6.80% for the Pension Plus plan, 6.00% for the Pension Plus 2 plan) and 6.95%, respectively. The projection of cash flows used to determine these discount rates assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the pension and OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension and OPEB plan investments was applied to all periods of projected benefit payments to determine the total pension and OPEB liabilities.

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

The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 6.80% (6.80% for the Pension Plus plan, 6.00% for the Pension Plus 2 plan), as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher:

	1% Decrease (5.80% / 5.80% / 5.00%)	Current Discount Rate (6.80% / 6.80% / 6.00%)	1% Increase (7.80% / 7.80% / 7.00%)
District's proportionate share of the net pension liability	\$ 94,070,424	\$ 72,358,304	\$ 54,358,208

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

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

	1% Decrease (5.95%)	Current Discount Rate (6.95%)	1% Increase (7.95%)
District's proportionate share of the net OPEB liability	\$ 19,585,796	\$ 15,966,895	\$ 12,928,023

MONA SHORES PUBLIC SCHOOLS

Notes to Financial Statements

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

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

	1% Decrease (6.50%)	Current Healthcare Cost Trend Rate (7.50%)	1% Increase (8.50%)
District's proportionate share of the net OPEB liability	\$ 12,799,188	\$ 15,966,895	\$ 19,585,366

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 \$998,551 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 \$230,767 for the outstanding amount of OPEB contributions to the Plan required for the year ended June 30, 2020.

13. OTHER POSTEMPLOYMENT BENEFITS - SINGLE EMPLOYER

Plan Description

The District administers a single-employer defined benefit healthcare plan (the "OPEB Plan"). In addition to the retirement benefits described in Note 12, the OPEB Plan provides health insurance benefits to certain retirees and their beneficiaries, which are funded on a pay-as-you-go basis. Effective August 31, 2016, this plan was closed to new hires. Separate financial statements are not prepared for the OPEB Plan.

Benefits Provided

The OPEB Plan is offered to teachers with 10 or more years of service with the District. Eligible employees who elect to retire under the Plan will receive a lump sum contribution into a 403(b) account in the amount of \$1,000 for each full-time year of service with the District. This amount is reduced by any previous non-elective employer contributions made to the teacher's 403(b) account and shall not exceed \$8,000. The Plan also includes an amount of up to \$3,000 per year (\$1,750 if single) to be contributed as a non-elective contribution into a 403(b) account or a Voluntary Employee Benefit Account for up to five years after retirement. This benefit is intended to offset any out of pocket costs incurred by the transition to the MPSERS retirement health plan.

MONA SHORES PUBLIC SCHOOLS

Notes to Financial Statements

The OPEB Plan is also offered to administrators with 5 or more years of service with the District. Eligible employees who elect to retire under the OPEB Plan will receive a lump sum contribution into a 403(b) account in a defined amount based on the number of years of service with the District. Administrators with between 5 and 9 years of service will receive a lump sum contribution of \$3,000; administrators with between 10 and 14 years of service will receive a lump sum contribution of \$4,000; and administrators with 15 or more years of service will receive a lump sum contribution of \$5,000. In addition, quarterly payments will also be made into a 403(b) account in the amount of \$250 for administrators with between 5 and 14 years of service and \$300 for administrators with 15 or more years with the District. The quarterly payments shall terminate the month after the administrator dies or 5 years after receipt of the initial payment, whichever comes first. The OPEB Plan also includes an amount of up to \$3,000 per year (\$1,750 if single) to be contributed as a non-elective contribution into a 403(b) account or a Voluntary Employee Benefit Account for up to five years after retirement. This benefit is intended to offset any out of pocket costs incurred by the transition to the MPSERS retirement health plan.

Employees Covered by Benefit Terms

At June 30, 2020, the date of the most recent actuarial valuation, the following employees were covered by the benefit terms:

Inactive plan members receiving benefits	26
Active plan members	<u>195</u>
	<u><u>221</u></u>

Contributions

The contribution requirements of OPEB Plan members and the District are established and may be amended by the District's Board of Education. The required contribution is based on projected pay-as-you go financing requirements, with an additional amount to prefund benefits as determined annually by the Board of Education. Employees are not required to contribute to the OPEB Plan.

Total OPEB Liability

The total OPEB liability was measured as of June 30, 2020, and was determined by an actuarial valuation as of that date.

Actuarial Assumptions

The total OPEB liability in the June 30, 2020 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	None assumed (benefit amounts are fixed)
Salary increases	1.88%
Investment rate of return	N/A; plan is not pre-funded
Healthcare cost trend rate	Not applicable as the benefit is fixed

Mortality rates for teachers were based on the Public Teacher 2010 Employee and Healthy Retiree, headcount weighted, MP-2019 improvement scale. Mortality rates for administrators were based on the Public General 2010 Employee and Healthy Retiree, headcount weighted, MP-2019 improvement scale.

MONA SHORES PUBLIC SCHOOLS

Notes to Financial Statements

Discount Rate

The discount rate used to measure the total OPEB liability was 2.66%. Because the OPEB Plan does not have a dedicated OPEB trust, there are not assets projected to be sufficient to make projected future benefit payments of current plan members. For projected benefits that are covered by projected assets, the long-term expected rate was used to discount the projected benefits. From the year that benefit payments were not projected to be covered by the projected assets (2020, the depletion date), projected benefits were discounted at a discount rate reflecting a 20-year AA/Aa tax-exempt municipal bond yield. A single equivalent discount rate that yields the same present value of benefits is calculated. This discount rate is used to determine the total OPEB liability.

Change in the Total OPEB Liability

The components of the change in the total OPEB liability are summarized as follows:

	Total OPEB Liability
Balance at June 30, 2019	<u>\$ 1,820,564</u>
Changes for the year:	
Service cost	80,053
Interest on the total OPEB liability	51,465
Differences between expected and actual experience	99,258
Changes in assumptions	133,820
Benefit payments and refunds	<u>(112,000)</u>
Net changes	<u>252,596</u>
Balance at June 30, 2020	<u>\$ 2,073,160</u>

Changes in assumptions for the year ended June 30, 2020 included updates to the mortality tables used, the salary scale was updated to 1.88%, and the discount rate was updated from 2.79% to 2.66%.

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate

The following table presents the total OPEB liability, calculated using a single discount rate of 2.66%, as well as what the total OPEB liability would be if it were calculated using a single discount rate that is one-percentage-point lower (1.66%) or one-percentage-point higher (3.66%) than the current rate:

	1% Decrease (1.66%)	Current Discount Rate (2.66%)	1% Increase (3.66%)
District's total OPEB liability	\$ 2,212,459	\$ 2,073,160	\$ 1,941,000

MONA SHORES PUBLIC SCHOOLS

Notes to Financial Statements

Sensitivity of the Total OPEB Liability to Healthcare Cost Trend Rate

Since the benefit is fixed, the net OPEB liability would be unaffected by a 1% change in the healthcare cost trend.

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

For the year ended June 30, 2020, the District recognized OPEB expense of \$115,378. 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	\$ 159,340	\$ 84,914	\$ 74,426
Changes in assumptions	<u>123,682</u>	<u>375,927</u>	<u>(252,245)</u>
Total	<u>\$ 283,022</u>	<u>\$ 460,841</u>	<u>\$ (177,819)</u>

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	\$ (16,140)
2022	(16,140)
2023	(16,140)
2024	(16,140)
2025	(16,140)
Thereafter	<u>(97,119)</u>
Total	<u>\$ (177,819)</u>

Payable to the Plan

At June 30, 2020, the District reported no amount payable to the OPEB Plan.

MONA SHORES PUBLIC SCHOOLS

Notes to Financial Statements

14. FUND BALANCES - GOVERNMENTAL FUNDS

In accordance with GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, the District classifies fund balances based primarily on the extent to which it is bound to observe constraints imposed upon the use of the resources reported in the governmental funds. Detailed information on fund balances of governmental funds is as follows:

	General Fund	2019 Capital Projects Fund	Nonmajor Governmental Funds	Total
Nonspendable				
Inventory	\$ -	\$ -	\$ 37,525	\$ 37,525
Prepays	325,856	-	-	325,856
	<hr/>	<hr/>	<hr/>	<hr/>
	325,856	-	37,525	363,381
Restricted				
Debt service	-	-	860,761	860,761
Food service	-	-	1,500,623	1,500,623
Technology services	-	-	15,441	15,441
Capital improvements	-	30,213,350	1,765,505	31,978,855
	<hr/>	<hr/>	<hr/>	<hr/>
	-	30,213,350	4,142,330	34,355,680
Committed				
Community services	-	-	1,650	1,650
	<hr/>	<hr/>	<hr/>	<hr/>
Unassigned	3,054,235	-	-	3,054,235
	<hr/>	<hr/>	<hr/>	<hr/>
Total fund balances - governmental funds	\$ 3,380,091	\$ 30,213,350	\$ 4,181,505	\$ 37,774,946

15. NET INVESTMENT IN CAPITAL ASSETS

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

	Governmental Activities
Capital assets:	
Capital assets not being depreciated	\$ 16,381,037
Capital assets being depreciated, net	<hr/> 42,096,376
	<hr/> 58,477,413
Related debt:	
General obligation bonds	49,230,000
Premiums on bonds payable, net	5,929,724
Installment purchase agreement	92,278
Unexpended bond proceeds	<hr/> (30,213,350)
	<hr/> 25,038,652
Net investment in capital assets	\$ 33,438,761

MONA SHORES PUBLIC SCHOOLS

Notes to Financial Statements

16. CONTINGENCIES

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.

Litigation

In the normal course of its activities, the District is a party to various legal actions and subject to certain asserted and unasserted claims and assessments. Although some actions have been brought, the District has not experienced significant losses or costs. The District is of the opinion that the outcome of any pending actions will not have material effect on the District's financial position.

17. LEASE COMMITMENT

On August 30, 2018, the District entered into a lease purchase agreement with a financial institution to purchase technology for use in the District's classrooms. The lease is being treated as an operating lease by the District due to the fact that the individual cost of the underlying assets being purchased does not exceed the initial cost threshold set forth in the District's capitalization policy. The term of the lease runs through August 30, 2020, and calls for an annual payment of \$417,256 to be made each August 30 throughout the lease term. One annual lease payment was made by the District in the amount of \$417,256 for the year ended June 30, 2020.

18. BOND SINKING FUND AND BOND CONSTRUCTION COSTS

The Bond Sinking Fund records capital project activities funded with Sinking Fund millage. For this fund, the District has complied with the applicable provisions of section 1212(1) of the Revised School Code and the applicable section of the Revised Bulletin for School District Audits of Bonded Construction Funds and of Sinking Funds in Michigan.

The 2019 capital projects fund includes capital project activities funded with bonds issued after May 1, 1994. For these capital projects, the District has complied with the applicable provisions of §1351a of the Michigan Revised School Code.

19. 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.

MONA SHORES PUBLIC SCHOOLS

■ Notes to Financial Statements

■ 20. SUBSEQUENT EVENT

State Aid Anticipation Note

On October 1, 2020 the District signed a State Aid Anticipation Note in the amount of \$2,000,000. The amount is due in full in August 2021, plus interest at a rate of 0.85%.



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REQUIRED SUPPLEMENTARY INFORMATION

MONA SHORES PUBLIC SCHOOLS

Required Supplementary Information

MPSERS Cost-Sharing Multiple-Employer Plan

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

	Year Ended June 30,		
	2020	2019	2018
District's proportionate share of the net pension liability	\$ 72,358,304	\$ 64,385,797	\$ 56,704,776
District's proportion of the net pension liability	0.21850%	0.21418%	0.21882%
District's covered payroll	\$ 19,414,437	\$ 17,852,399	\$ 18,248,571
District's proportionate share of the net pension liability as a percentage of its covered payroll	372.70%	360.66%	310.74%
Plan fiduciary net position as a percentage of the total pension liability	60.31%	63.26%	64.21%

See notes to required supplementary information.



Year Ended June 30,		
2017	2016	2015
\$ 54,064,059	\$ 51,586,704	\$ 45,845,959
0.21670%	0.21120%	0.20814%
\$ 18,426,941	\$ 17,435,493	\$ 17,613,831
293.40%	295.87%	260.28%
63.27%	63.17%	66.20%

MONA SHORES PUBLIC SCHOOLS

Required Supplementary Information MPSERS Cost-Sharing Multiple-Employer Plan Schedule of District Pension Contributions

	Year Ended June 30,		
	2020	2019	2018
Statutorily required contribution	\$ 6,258,390	\$ 5,763,839	\$ 5,961,114
Contributions in relation to the statutorily required contribution	(6,258,390)	(5,763,839)	(5,961,114)
Contribution deficiency (excess)	\$ -	\$ -	\$ -
District's covered payroll	\$ 20,527,516	\$ 19,207,895	\$ 18,334,922
Contributions as a percentage of covered payroll	30.49%	30.01%	32.51%

See notes to required supplementary information.

Year Ended June 30,		
2017	2016	2015
\$ 5,126,479	\$ 4,790,382	\$ 4,011,118
<u>(5,126,479)</u>	<u>(4,790,382)</u>	<u>(4,011,118)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 18,203,874	\$ 17,568,041	\$ 17,523,010
28.16%	27.27%	22.89%

MONA SHORES PUBLIC SCHOOLS

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,		
	2020	2019	2018
District's proportionate share of the net OPEB liability	\$ 15,966,895	\$ 16,677,404	\$ 19,310,656
District's proportion of the net OPEB liability	0.22245%	0.20981%	0.21806%
District's covered payroll	\$ 19,414,437	\$ 17,852,399	\$ 18,248,571
District's proportionate share of the net OPEB liability as a percentage of its covered payroll	82.24%	93.42%	105.82%
Plan fiduciary net position as a percentage of the total OPEB liability	48.46%	42.95%	36.39%

See notes to required supplementary information.

MONA SHORES PUBLIC SCHOOLS

Required Supplementary Information

MPSERS Cost-Sharing Multiple-Employer Plan

Schedule of District Other Postemployment Benefit Contributions

	Year Ended June 30,		
	2020	2019	2018
Statutorily required contributions	\$ 1,618,900	\$ 1,506,881	\$ 1,364,102
Contributions in relation to the statutorily required contributions	<u>(1,618,900)</u>	<u>(1,506,881)</u>	<u>(1,364,102)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 20,527,516	\$ 19,207,895	\$ 18,334,922
Contributions as a percentage of covered payroll	7.89%	7.85%	7.44%

See notes to required supplementary information.

MONA SHORES PUBLIC SCHOOLS

Required Supplementary Information

Single-Employer Other Postemployment Benefit Plan

Schedule of Changes in the District's Total Other Postemployment Benefit Liability and Related Ratios

	Year Ended June 30,		
	2020	2019	2018
Total OPEB liability			
Service cost	\$ 80,053	\$ 101,622	\$ 111,196
Interest on the total OPEB liability	51,465	23,685	22,353
Differences between expected and actual experience	99,258	(99,942)	88,662
Changes in assumptions	133,820	(439,735)	(3,041)
Benefit payments and refunds	(112,000)	(64,000)	(88,917)
Net change in total OPEB liability	<u>252,596</u>	<u>(478,370)</u>	<u>130,253</u>
Total OPEB liability, beginning of year	<u>1,820,564</u>	<u>2,298,934</u>	<u>2,168,681</u>
Total OPEB liability, end of year	<u>\$ 2,073,160</u>	<u>\$ 1,820,564</u>	<u>\$ 2,298,934</u>

See notes to required supplementary information.

MONA SHORES PUBLIC SCHOOLS

Required Supplementary Information Single-Employer Other Postemployment Benefit Plan Schedule of District Contributions

Year Ended June 30,	Actuarially Determined Contribution	Actual Contribution	Contribution Deficiency (Excess)
2020	\$ 251,182	\$ 112,000	\$ 139,182
2019	268,490	64,000	204,490
2018	258,333	88,917	169,416

See notes to required supplementary information.

MONA SHORES PUBLIC SCHOOLS

■ Notes to Required Supplementary Information

MPSERS Cost-Sharing Multiple-Employer Plan

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%.

MONA SHORES PUBLIC SCHOOLS

Notes to Required Supplementary Information

Single-Employer Other Postemployment Benefit Plan

Schedule of Changes in the District's Total Other Postemployment Benefit Liability and Related Ratios

GASB 75 was implemented in 2018. This schedule is being built prospectively. Ultimately, 10 years of data will be presented.

As contributions to the OPEB plan not based on a measure of pay, covered payroll and related ratios are not presented.

The changes in assumptions for the year ended June 30, 2018 relate to the mortality improvement scale which was updated to 2017. The changes in assumptions for the year ended June 30, 2019 included updates to the mortality tables used, the salary scale was updated to 3.5%, and the discount rate was updated from 1.0% to 2.79%. The changes in assumptions for the year ended June 30, 2020 included updates to the mortality tables used, the salary scale was updated to 1.88%, and the discount rate was updated from 2.79% to 2.66%.

Schedule of District Contributions

Valuation Date Actuarially determined contribution rates are calculated as of the end of the fiscal year in which contributions are reported.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry-age
Amortization method	Level percent of compensation
Asset valuation method	Not applicable; plan is not pre-funded
Inflation	None assumed (benefit amounts are fixed)
Salary increases	1.88%
Investment rate of return	Not applicable;
Retirement age	Age 60
Mortality	Teachers: Public Teacher 2010 Healthy Retiree, headcount weighted, 2019 improvement; Administrators: Public General 2010 Healthy Retiree, headcount weighted, 2019 improvement
Healthcare cost trend rates	Not applicable as the retirement benefit is a fixed amount

GASB 75 was implemented in 2018. This schedule is being built prospectively. Ultimately, 10 years of data will be presented.

As contributions to the OPEB plan not based on a measure of pay, covered payroll and related ratios are not presented.

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**COMBINING AND INDIVIDUAL FUND
FINANCIAL STATEMENTS AND SCHEDULES**

MONA SHORES PUBLIC SCHOOLS

Balance Sheet

General Fund

June 30, 2020

With Comparative Totals as of June 30, 2019

	2020	2019
Assets		
Cash and investments	\$ 4,224,993	\$ 4,449,305
Receivables:		
Accounts, net	96,138	87,993
Due from other governments	5,571,939	5,963,292
Due from other funds	220,916	202,719
Prepaid items	<u>325,856</u>	<u>215,615</u>
Total assets	<u>\$ 10,439,842</u>	<u>\$ 10,918,924</u>
Liabilities		
Accounts payable	\$ 214,184	\$ 200,303
Accrued liabilities	4,309,543	4,311,107
Accrued interest payable	42,368	40,663
Due to other governments	444,882	634,435
Due to other funds	248,774	335,945
Note payable	<u>1,800,000</u>	<u>1,800,000</u>
Total liabilities	<u>7,059,751</u>	<u>7,322,453</u>
Fund balances		
Nonspendable	325,856	215,615
Unassigned	<u>3,054,235</u>	<u>3,380,856</u>
Total fund balances	<u>3,380,091</u>	<u>3,596,471</u>
Total liabilities and fund balances	<u>\$ 10,439,842</u>	<u>\$ 10,918,924</u>

NONMAJOR GOVERNMENTAL FUNDS

MONA SHORES PUBLIC SCHOOLS

Combining Balance Sheet

Nonmajor Governmental Funds

June 30, 2020

	Special Revenue		
	Community Services	Food Service	Technology Millage
Assets			
Cash and investments	\$ 52,255	\$ 1,170,923	\$ 9,442
Receivables:			
Accounts, net	18,109	-	-
Due from other governments	-	552,148	35,448
Due from other funds	-	-	22,795
Inventory	-	37,525	-
Total assets	\$ 70,364	\$ 1,760,596	\$ 67,685
Liabilities			
Accounts payable	\$ 5,775	\$ 176,114	\$ 38,088
Accrued liabilities	17,021	-	14,156
Due to other funds	12,548	11,428	-
Unearned revenue	33,370	34,906	-
Total liabilities	68,714	222,448	52,244
Fund balances			
Nonspendable	-	37,525	-
Restricted	-	1,500,623	15,441
Committed	1,650	-	-
Total fund balances	1,650	1,538,148	15,441
Total liabilities and fund balances	\$ 70,364	\$ 1,760,596	\$ 67,685

Debt Service		Capital Projects			
2019 Debt Service Fund	2016 Debt Service Fund	Bond Sinking	Capital Projects	Total	
\$ 737,159	\$ -	\$ 1,939,174	\$ 12,042	\$ 3,920,995	
-	-	-	-	18,109	
123,602	-	18,829	-	730,027	
-	2,715	-	-	25,510	
-	-	-	-	37,525	
\$ 860,761	\$ 2,715	\$ 1,958,003	\$ 12,042	\$ 4,732,166	
<hr/>					
\$ -	\$ -	\$ 7,600	\$ -	\$ 227,577	
-	-	-	-	31,177	
2,715	-	196,940	-	223,631	
-	-	-	-	68,276	
2,715	-	204,540	-	550,661	
<hr/>					
-	-	-	-	37,525	
858,046	2,715	1,753,463	12,042	4,142,330	
-	-	-	-	1,650	
858,046	2,715	1,753,463	12,042	4,181,505	
\$ 860,761	\$ 2,715	\$ 1,958,003	\$ 12,042	\$ 4,732,166	

MONA SHORES PUBLIC SCHOOLS

Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Governmental Funds For the Year Ended June 30, 2020

	Special Revenue		
	Community Services	Food Service	Technology Millage
Revenues			
Local sources:			
Property taxes	\$ -	\$ -	\$ 742,752
Tuition	721,298	-	-
Food sales and child care	157,665	509,303	-
Investment income	1,113	3,763	85
Other	4,702	-	493
State sources	-	65,898	-
Federal sources	14,300	2,580,035	-
Total revenues	899,078	3,158,999	743,330
Expenditures			
Current:			
Community services	1,052,535	-	-
Food services	-	2,069,017	-
Technology	-	-	216,665
Debt service:			
Principal	-	-	-
Interest expense and other charges	-	-	-
Capital outlay	-	26,715	559,132
Total expenditures	1,052,535	2,095,732	775,797
Revenues over (under) expenditures	(153,457)	1,063,267	(32,467)
Other financing sources (uses)			
Transfers in	100,000	71,716	-
Transfers out	-	(6,000)	-
Total other financing sources (uses)	100,000	65,716	-
Net change in fund balances	(53,457)	1,128,983	(32,467)
Fund balances, beginning of year	55,107	409,165	47,908
Fund balances, end of year	\$ 1,650	\$ 1,538,148	\$ 15,441

Debt Service		Capital Projects			
2019 Debt Service Fund	2016 Debt Service Fund	Bond Sinking	Capital Projects	Total	
\$ 4,580,303	\$ 1,314,172	\$ 855,745	\$ -	\$ 7,492,972	
-	-	-	-	721,298	
-	-	-	-	666,968	
9,132	-	16,703	169	30,965	
-	-	2,100	-	7,295	
-	-	-	-	65,898	
-	-	-	-	2,594,335	
<hr/> <u>4,589,435</u>	<hr/> <u>1,314,172</u>	<hr/> <u>874,548</u>	<hr/> <u>169</u>	<hr/> <u>11,579,731</u>	
				1,052,535	
				2,069,017	
				216,665	
1,850,000	1,015,000	-	-	2,865,000	
2,360,309	497,350	-	-	2,857,659	
-	-	<u>98,825</u>	-	<u>684,672</u>	
<hr/> <u>4,210,309</u>	<hr/> <u>1,512,350</u>	<hr/> <u>98,825</u>	<hr/> <u>-</u>	<hr/> <u>9,745,548</u>	
<hr/> <u>379,126</u>	<hr/> <u>(198,178)</u>	<hr/> <u>775,723</u>	<hr/> <u>169</u>	<hr/> <u>1,834,183</u>	
				171,716	
				(6,000)	
				<u>165,716</u>	
379,126	(198,178)	775,723	169	1,999,899	
<hr/> <u>478,920</u>	<hr/> <u>200,893</u>	<hr/> <u>977,740</u>	<hr/> <u>11,873</u>	<hr/> <u>2,181,606</u>	
<hr/> <u>\$ 858,046</u>	<hr/> <u>\$ 2,715</u>	<hr/> <u>\$ 1,753,463</u>	<hr/> <u>\$ 12,042</u>	<hr/> <u>\$ 4,181,505</u>	

MONA SHORES PUBLIC SCHOOLS

Balance Sheet

Community Services Special Revenue Fund
 June 30, 2020
 With Comparative Totals as of June 30, 2019

	2020	2019
Assets		
Cash and investments	\$ 52,255	\$ 80,068
Receivables:		
Accounts, net	18,109	46,739
Due from other governments	-	674
	<hr/>	<hr/>
Total assets	\$ 70,364	\$ 127,481
Liabilities		
Accounts payable	\$ 5,775	\$ 16,244
Accrued liabilities	17,021	17,394
Due to other funds	12,548	6,191
Unearned revenue	33,370	32,545
	<hr/>	<hr/>
Total liabilities	68,714	72,374
Fund balance		
Committed	1,650	55,107
	<hr/>	<hr/>
Total liabilities and fund balance	\$ 70,364	\$ 127,481

MONA SHORES PUBLIC SCHOOLS

Schedule of Revenues, Expenditures and Changes in Fund Balance

Budget and Actual - Community Services Special Revenue Fund

For the Year Ended June 30, 2020

With Comparative Totals for the Year Ended June 30, 2019

	Original Budget	Final Budget	Actual	Variance With Final Budget	2019 Actual
Revenues					
Local sources:					
Tuition	\$ 853,050	\$ 735,950	\$ 721,298	\$ (14,652)	\$ 820,837
Child care	245,500	157,500	157,665	165	242,307
Investment income	2,000	1,100	1,113	13	2,112
Other	3,600	4,600	4,702	102	3,465
Federal sources	-	42,000	14,300	(27,700)	-
Total revenues	1,104,150	941,150	899,078	(42,072)	1,068,721
Expenditures					
Current:					
Community services:					
Child care services	798,855	714,930	719,665	4,735	798,663
Community services	130,935	129,635	127,563	(2,072)	133,298
Pre-school services	258,419	211,119	205,307	(5,812)	249,616
Total expenditures	1,188,209	1,055,684	1,052,535	(3,149)	1,181,577
Revenues under expenditures	(84,059)	(114,534)	(153,457)	(38,923)	(112,856)
Other financing sources					
Transfers in	65,000	65,000	100,000	35,000	-
Net change in fund balance	(19,059)	(49,534)	(53,457)	(3,923)	(112,856)
Fund balance, beginning of year	55,107	55,107	55,107	-	167,963
Fund balance, end of year	\$ 36,048	\$ 5,573	\$ 1,650	\$ (3,923)	\$ 55,107

MONA SHORES PUBLIC SCHOOLS

Balance Sheet

Food Service Special Revenue Fund

June 30, 2020

With Comparative Totals as of June 30, 2019

	2020	2019
Assets		
Cash and investments	\$ 1,170,923	\$ 320,249
Receivables:		
Accounts	-	2,691
Due from other governments	552,148	60,357
Due from other funds	-	90,247
Inventory	<u>37,525</u>	<u>25,573</u>
Total assets	<u><u>\$ 1,760,596</u></u>	<u><u>\$ 499,117</u></u>
Liabilities		
Accounts payable	\$ 176,114	\$ 57,063
Due to other funds	11,428	-
Unearned revenue	<u>34,906</u>	<u>32,889</u>
Total liabilities	<u><u>222,448</u></u>	<u><u>89,952</u></u>
Fund balances		
Nonspendable	37,525	25,573
Restricted	<u>1,500,623</u>	<u>383,592</u>
Total fund balances	<u><u>1,538,148</u></u>	<u><u>409,165</u></u>
Total liabilities and fund balances	<u><u>\$ 1,760,596</u></u>	<u><u>\$ 499,117</u></u>

MONA SHORES PUBLIC SCHOOLS

Schedule of Revenues, Expenditures and Changes in Fund Balance

Budget and Actual - Food Service Special Revenue Fund

For the Year Ended June 30, 2020

With Comparative Totals for the Year Ended June 30, 2019

	Original Budget	Final Budget	Actual	Variance With Final Budget	2019 Actual
Revenues					
Local sources:					
Food sales	\$ 474,250	\$ 482,250	\$ 509,303	\$ 27,053	\$ 515,602
Investment income	4,000	4,000	3,763	(237)	4,227
State sources	54,163	67,843	65,898	(1,945)	50,743
Federal sources	840,000	2,280,500	2,580,035	299,535	895,683
Total revenues	<u>1,372,413</u>	<u>2,834,593</u>	<u>3,158,999</u>	<u>324,406</u>	<u>1,466,255</u>
Expenditures					
Current:					
Food services	1,296,590	2,254,100	2,069,017	(185,083)	1,408,158
Capital outlay	35,000	35,000	26,715	(8,285)	34,213
Total expenditures	<u>1,331,590</u>	<u>2,289,100</u>	<u>2,095,732</u>	<u>(193,368)</u>	<u>1,442,371</u>
Revenues over expenditures	<u>40,823</u>	<u>545,493</u>	<u>1,063,267</u>	<u>517,774</u>	<u>23,884</u>
Other financing sources (uses)					
Transfers in	-	71,716	71,716	-	-
Transfers out	(4,000)	(4,000)	(6,000)	2,000	(3,500)
Total other financing sources (uses)	<u>(4,000)</u>	<u>67,716</u>	<u>65,716</u>	<u>(2,000)</u>	<u>(3,500)</u>
Net change in fund balance	<u>36,823</u>	<u>613,209</u>	<u>1,128,983</u>	<u>515,774</u>	<u>20,384</u>
Fund balance, beginning of year	<u>409,165</u>	<u>409,165</u>	<u>409,165</u>	<u>-</u>	<u>388,781</u>
Fund balance, end of year	<u>\$ 445,988</u>	<u>\$ 1,022,374</u>	<u>\$ 1,538,148</u>	<u>\$ 515,774</u>	<u>\$ 409,165</u>

MONA SHORES PUBLIC SCHOOLS

Balance Sheet

Technology Millage Special Revenue Fund
 June 30, 2020
 With Comparative Totals as of June 30, 2019

	2020	2019
Assets		
Cash and investments	\$ 9,442	\$ -
Due from other governments	35,448	80
Due from other funds	<u>22,795</u>	<u>74,097</u>
Total assets	<u>\$ 67,685</u>	<u>\$ 74,177</u>
Liabilities		
Accounts payable	\$ 38,088	\$ 6,666
Accrued liabilities	<u>14,156</u>	<u>19,603</u>
Total liabilities	52,244	26,269
Fund balances		
Restricted	<u>15,441</u>	<u>47,908</u>
Total liabilities and fund balances	<u>\$ 67,685</u>	<u>\$ 74,177</u>

MONA SHORES PUBLIC SCHOOLS

Schedule of Revenues, Expenditures and Changes in Fund Balance

Budget and Actual - Technology Millage Special Revenue Fund

For the Year Ended June 30, 2020

With Comparative Totals for the Year Ended June 30, 2019

	Original Budget	Final Budget	Actual	Variance With Final Budget	2019 Actual
Revenues					
Local sources:					
Property taxes	\$ 700,000	\$ 744,000	\$ 742,752	\$ (1,248)	\$ 699,352
Investment income	-	75	85	10	250
Other	13,000	475	493	18	19,590
Total revenues	<u>713,000</u>	<u>744,550</u>	<u>743,330</u>	<u>(1,220)</u>	<u>719,192</u>
Expenditures					
Current:					
Technology	195,053	221,990	216,665	(5,325)	262,010
Capital outlay	520,000	556,800	559,132	2,332	500,952
Total expenditures	<u>715,053</u>	<u>778,790</u>	<u>775,797</u>	<u>(2,993)</u>	<u>762,962</u>
Net change in fund balance	(2,053)	(34,240)	(32,467)	1,773	(43,770)
Fund balance, beginning of year	<u>47,908</u>	<u>47,908</u>	<u>47,908</u>	<u>-</u>	<u>91,678</u>
Fund balance, end of year	<u>\$ 45,855</u>	<u>\$ 13,668</u>	<u>\$ 15,441</u>	<u>\$ 1,773</u>	<u>\$ 47,908</u>

MONA SHORES PUBLIC SCHOOLS

Combining Balance Sheet

Debt Service Funds

June 30, 2020

With Comparative Totals as of June 30, 2019

	2019 Debt Service Fund	2016 Debt Service Fund	Totals	
			2020	2019
Assets				
Cash and investments	\$ 737,159	\$ -	\$ 737,159	\$ 679,813
Due from other governments	123,602	-	123,602	-
Due from other funds	-	2,715	2,715	200,809
Total assets	\$ 860,761	\$ 2,715	\$ 863,476	\$ 880,622
Liabilities				
Due to other funds	\$ 2,715	\$ -	\$ 2,715	\$ 200,809
Fund balances				
Restricted	858,046	2,715	860,761	679,813
Total liabilities and fund balances	\$ 860,761	\$ 2,715	\$ 863,476	\$ 880,622

MONA SHORES PUBLIC SCHOOLS

Combining Schedule of Revenues, Expenditures and Changes in Fund Balances

Debt Service Funds

For the Year Ended June 30, 2020

With Comparative Totals for the Year Ended June 30, 2019

	2019 Debt Service Fund	2016 Debt Service Fund	2020	Totals
				2019
Revenues				
Local sources:				
Property taxes	\$ 4,580,303	\$ 1,314,172	\$ 5,894,475	\$ 5,715,667
Investment income	9,132	-	9,132	21,066
Total revenues	4,589,435	1,314,172	5,903,607	5,736,733
Expenditures				
Debt service:				
Principal	1,850,000	1,015,000	2,865,000	4,945,000
Interest expense and other charges	2,360,309	497,350	2,857,659	696,949
Total expenditures	4,210,309	1,512,350	5,722,659	5,641,949
Net change in fund balances	379,126	(198,178)	180,948	94,784
Fund balances, beginning of year	478,920	200,893	679,813	585,029
Fund balances, end of year	\$ 858,046	\$ 2,715	\$ 860,761	\$ 679,813

MONA SHORES PUBLIC SCHOOLS

Combining Balance Sheet

Capital Projects Funds

June 30, 2020

With Comparative Totals as of June 30, 2019

	2019 Capital Projects	Bond Sinking	Capital Projects	Totals	
				2020	2019
Assets					
Cash and investments	\$ 32,863,140	\$ 1,939,174	\$ 12,042	\$ 34,814,356	\$ 43,859,206
Interest receivable	-	-	-	-	169,526
Due from other governments	-	18,829	-	18,829	-
Total assets	\$ 32,863,140	\$ 1,958,003	\$ 12,042	\$ 34,833,185	\$ 44,028,732
Liabilities					
Accounts payable	\$ 2,649,790	\$ 7,600	\$ -	\$ 2,657,390	\$ 1,335,495
Due to other funds	-	196,940	-	196,940	196,940
Total liabilities	2,649,790	204,540	-	2,854,330	1,532,435
Fund balances					
Restricted	30,213,350	1,753,463	12,042	31,978,855	42,496,297
Total liabilities and fund balances	\$ 32,863,140	\$ 1,958,003	\$ 12,042	\$ 34,833,185	\$ 44,028,732

MONA SHORES PUBLIC SCHOOLS

Combining Schedule of Revenues, Expenditures and Changes in Fund Balances

Capital Projects Funds

For the Year Ended June 30, 2020

With Comparative Totals for the Year Ended June 30, 2019

	2019 Capital Projects	Bond Sinking	Capital Projects	2020	Totals 2019
Revenues					
Local sources:					
Property taxes	\$ -	\$ 855,745	\$ -	\$ 855,745	\$ 834,027
Investment income	951,092	16,703	169	967,964	529,311
Other	27,851	2,100	-	29,951	1,068
Total revenues	978,943	874,548	169	1,853,660	1,364,406
Expenditures					
Debt service:					
Bond issuance costs	-	-	-	-	327,048
Capital outlay	12,272,277	98,825	-	12,371,102	5,291,935
Total expenditures	12,272,277	98,825	-	12,371,102	5,618,983
Revenues over (under) expenditures	(11,293,334)	775,723	169	(10,517,442)	(4,254,577)
Other financing sources					
Issuance of long-term debt - bonds	-	-	-	-	40,940,000
Premium on issuance of long-term debt	-	-	-	-	5,396,994
Total other financing sources	-	-	-	-	46,336,994
Net change in fund balances	(11,293,334)	775,723	169	(10,517,442)	42,082,417
Fund balances, beginning of year	41,506,684	977,740	11,873	42,496,297	413,880
Fund balances, end of year	\$ 30,213,350	\$ 1,753,463	\$ 12,042	\$ 31,978,855	\$ 42,496,297

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AGENCY FUND

MONA SHORES PUBLIC SCHOOLS

Statement of Changes in Fiduciary Assets and Liabilities

Agency Fund

June 30, 2020

	Balance July 1, 2019	Increases	Decreases	Balance June 30, 2020
<i>Student Activities Fund</i>				
Assets				
Cash and investments	\$ 776,227	\$ 1,002,460	\$ 921,603	\$ 857,084
Liabilities				
Due to student groups	\$ 776,227	\$ 1,002,460	\$ 921,603	\$ 857,084