

Grosse Ile Township Schools

Financial Statements

June 30, 2020



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Grosse Ile Township Schools
Members of the Board of Education and Administration
June 30, 2020

Members of the Board of Education

Dr. Daniel Murphy, President

Mrs. Suzanne Sassack, Vice President

Mrs. Kelly Loeffler, Secretary

Mr. John Gatti, Treasurer

Mrs. Collie Hooper-Yan, Trustee

Mr. Jeffrey Anderson, Trustee

Mr. Frank DeMare III, Trustee

Administration

Ms. Joanne Lelekatch, Superintendent

Mrs. Linda Drzyzga, Business Manager



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Independent Auditors' Report

Management and the Board of Education
Grosse Ile Township Schools
Grosse Ile, 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 Grosse Ile Township Schools, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 Grosse Ile Township Schools, as of June 30, 2020, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Grosse Ile Township Schools' basic financial statements. The other supplementary information, as identified in the table of contents, is presented for the purpose of additional analysis and is not a required part of the basic financial statements.

The other supplementary information, as identified in the table of contents, is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion the other supplementary information, as identified in the table of contents, 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 our report dated September 21, 2020 on our consideration of Grosse Ile Township Schools' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the School District's 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 Grosse Ile Township Schools' internal control over financial reporting and compliance.

Yeo & Yeo, P.C.

Ann Arbor, MI
September 21, 2020

MANAGEMENT'S DISCUSSION AND ANALYSIS

GROSSE ILE TOWNSHIP SCHOOLS

Management's Discussion & Analysis For the Fiscal Year Ended June 30, 2020

Grosse Ile Township Schools (the "District"), a K-12 School District located in Wayne County, Michigan, in continuing its implementation of the provisions of Governmental Accounting Standards Board Statement 34 (GASB 34) with the enclosed financial statements. The Management's Discussion & Analysis section, a requirement of GASB 34, is intended to be Grosse Ile Township Schools' discussion and analysis of the financial results for the fiscal year ended June 30, 2020.

Generally accepted accounting principles (GAAP) according to GASB 34 now requires the reporting of two types of financial statements:

- Fund Financial Statements – The format we used prior to fiscal year ended June 30, 2003
- District-Wide Financial Statements – A revised format required under GASB 34 since June 30, 2003

Fund Financial Statements

The fund level financial 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.

The 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 the Debt Fund, Capital Project Funds, Sinking Fund and the Special Revenue Fund that reflects the Food Service/Cafeteria operation.

In the fund financial statements, purchased capital assets are reported as expenditures in the year of acquisition. No asset is reported. The issuance of debt is recorded as a financial resource. The current year's payment of principal and interest on long-term obligations are recorded as expenditures. Future years' debt obligations are not recorded.

District-Wide Financial Statements

The district-wide financial statements are full accrual basis statements. They report all of the District's assets and liabilities, both short and long term, whether they are "currently available" or not. For example, assets that are restricted for use in the Debt Fund solely for the payment of long-term principal and interest are grouped with unrestricted assets of the General Fund. Capital assets and long-term obligations of the District are reported in the statement of net assets of the district-wide financial statements.

GROSSE ILE TOWNSHIP SCHOOLS

Management's Discussion & Analysis For the Fiscal Year Ended June 30, 2020

Summary of Net Position:

The following summarizes the net position as of June 30, 2020 and 2019:

	<u>June 30,</u>	
	<u>2020</u>	<u>2019</u>
Assets		
Current and other assets	\$ 8,966,228	\$ 9,867,242
Capital assets, net	40,572,414	40,158,419
Deferred outflows of resources	<u>14,326,627</u>	<u>13,934,221</u>
 Total assets	 <u>63,865,269</u>	 <u>63,959,882</u>
Liabilities		
Noncurrent liabilities outstanding	70,084,072	69,641,177
Other liabilities	4,162,210	3,968,862
Deferred inflows of resources	<u>6,763,922</u>	<u>7,325,050</u>
 Total liabilities	 <u>81,010,204</u>	 <u>80,935,089</u>
Net Position		
Net investment in capital assets	20,110,229	17,478,755
Restricted for debt service	480,222	452,361
Restricted for capital projects	267,439	1,831,765
Unrestricted	<u>(38,002,825)</u>	<u>(36,738,088)</u>
 Total net position	 <u>\$ (17,144,935)</u>	 <u>\$ (16,975,207)</u>

GROSSE ILE TOWNSHIP SCHOOLS

Management's Discussion & Analysis For the Fiscal Year Ended June 30, 2020

The District's net position was \$(17,144,935) at June 30, 2020. Capital assets, net of related debt totaling \$20,110,229 compares the cost, less depreciation, of the District's capital assets, to long-term debt used to finance the acquisition of those assets. Most of the debt will be repaid from voter-approved property taxes collected as the debt service comes due. Restricted net position is reported separately to show legal constraints from debt covenants and enabling legislation that limit the District's ability to use that net position for day-to-day operations.

The \$(38,002,825) in unrestricted net position of governmental activities represents the accumulated results of all past years' operations. The unrestricted net position balance enables the District to meet working capital and cash flow requirements as well as to provide for future uncertainties. The operating results of the General Fund will have a significant impact on the change in unrestricted net position from year to year.

Analysis of Financial Position:

During the fiscal year ended June 30, 2020, the District's net position decreased by \$169,728. The significant factors affecting net position during the year are discussed below:

General Fund Operations

The District's revenues exceeded expenditures from General Fund operations by \$538,219 for the fiscal year ended June 30, 2020. See the section entitled **Results of Operations**, below for further discussion of General Fund operations.

GROSSE ILE TOWNSHIP SCHOOLS

Management's Discussion & Analysis For the Fiscal Year Ended June 30, 2020

Debt, Principal Payments

The District made principal payments on bonded, long-term debt obligations that reduced the amount of the District's long-term liabilities as follows:

2015 Refunding Bonds

Principal balance, June 30, 2019	\$ 7,780,000
Principal payments, May 1, 2020	<u>(595,000)</u>
Principal balance, June 30, 2020	<u>\$ 7,185,000</u>

2016 Building and Site Bonds

Principal balance, June 30, 2019	\$ 10,340,000
Principal payments, May 1, 2020	<u>(300,000)</u>
Principal balance, June 30, 2020	<u>\$ 10,040,000</u>

2018 Refunding Bonds

Principal balance, June 30, 2019	\$ 3,500,000
Principal payments, May 1, 2020	<u>(1,195,000)</u>
Principal balance, June 30, 2020	<u>\$ 2,305,000</u>

GROSSE ILE TOWNSHIP SCHOOLS

Management's Discussion & Analysis For the Fiscal Year Ended June 30, 2020

Net Investment in Capital Assets

The District's net investment in capital assets increased by \$413,995 during the fiscal year. This is summarized as follows:

	<u>Balance</u> <u>June 30, 2019</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2020</u>
Capital assets	\$ 69,732,176	\$ 2,038,983	\$ 25,700	\$ 71,745,459
Less: accumulated depreciation	<u>29,573,757</u>	<u>1,624,813</u>	<u>25,525</u>	<u>31,173,045</u>
Net investment capital outlay	<u>\$ 40,158,419</u>	<u>\$ 414,170</u>	<u>\$ 175</u>	<u>\$ 40,572,414</u>

In May 2015, Grosse Ile Township voters approved a renewal of a Sinking Fund millage of $\frac{3}{4}$ of one mill levied each year for five years to be used for school building and site purposes. The millage expired in June 2020.

In May 2020, the Grosse Ile Township voters approved a replacement of the $\frac{3}{4}$ of one mill Sinking Fund millage for a one mill Sinking Fund millage levied each year for five years to be used for school building and site purposes as well as the acquisition or upgrading of technology.

In May 2016, Grosse Ile Township voters approved a \$10,655,000 general obligation bond issue to remodel and equip buildings, acquire buses, purchase technology and improve athletic facilities.

GROSSE ILE TOWNSHIP SCHOOLS

Management's Discussion & Analysis For the Fiscal Year Ended June 30, 2020

Results of Operations:

For the fiscal years ended June 30, 2020 and 2019 the District-wide results of operation were as follows:

	<u>June 30,</u>	
	<u>2020</u>	<u>2019</u>
Revenue		
General revenue		
Property taxes levied for general operations	\$ 2,172,167	\$ 2,208,440
Property taxes levied for debt service	2,870,060	2,894,783
Property taxes levied for sinking fund	463,374	449,462
State of Michigan unrestricted foundation aid	15,712,484	16,066,544
Other general revenue	<u>961,537</u>	<u>1,092,157</u>
Total general revenue	22,179,622	22,711,386
Operating grants	1,531,201	1,428,220
Charges for services	<u>448,671</u>	<u>646,368</u>
Total revenue	<u>24,159,494</u>	<u>24,785,974</u>
Expenses		
Instruction and instructional support	\$13,222,489	\$12,152,586
Support services	7,585,816	7,111,568
Athletics	610,257	596,938
Cafeteria	617,194	610,006
Community services	3,541	16,671
Interest on long-term debt	665,112	793,545
Depreciation - unallocated	<u>1,624,813</u>	<u>1,709,748</u>
Total expense	<u>24,329,222</u>	<u>22,991,062</u>
Change in net position	(169,728)	1,794,912
Beginning net position	<u>(16,975,207)</u>	<u>(18,770,119)</u>
Ending of net position	<u>\$ (17,144,935)</u>	<u>\$ (16,975,207)</u>

GROSSE ILE TOWNSHIP SCHOOLS

Management's Discussion & Analysis For the Fiscal Year Ended June 30, 2020

State of Michigan Unrestricted Aid

The State of Michigan's Foundation Payment to school districts is determined with the following variables:

- State of Michigan State Aid Act per student foundation allowance.
- Student Enrollment – Blended at 90% of the current school year's fall count and 10% of the prior school year's winter count.
- The District's Homestead and Non-Homestead tax levies.

Per Student Foundation Allowance

Annually, the State of Michigan establishes the per student foundation allowance. The Grosse Ile Township Schools' foundation allowance was \$8,834 for the 2019-2020 school year. This amounted to a \$120 increase over the District's foundation allowance of \$8,714 per student in 2018-2019.

Student Enrollment

The District's student enrollment for school year 2019-2020 was 1,778 students. The following summarizes the enrollments for the past five years:

	<u>Student FTE</u>	<u>FTE Decrease Prior Year</u>
2019-2020	1,778	(44)
2018-2019	1,822	(21)
2017-2018	1,843	(65)
2016-2017	1,908	17
2015-2016	1,891	16

At year-end June 30, 2020, preliminary student enrollment counts for 2020-2021 indicate that enrollment may decrease by about 63 students from 2019-2020.

GROSSE ILE TOWNSHIP SCHOOLS

Management's Discussion & Analysis For the Fiscal Year Ended June 30, 2020

Property Taxes Levied for General Operations (General Fund Homestead and Non-Homestead Taxes)

In 2019-2020, the District levied 1.85930 mills on Homestead (Residential) properties and 18.0000 mills on Non-Homestead (Business) properties for General Fund operations. Under Michigan law, the taxable levy is based on the taxable valuation of properties. Annually, the taxable valuation increase in property values is capped at the rate of the prior year's consumer price index increase or 5 percent, whichever is less. At the time of sale, a property's taxable valuation is readjusted to the state equalized value, which theoretically, is 50 percent of the market value.

The District's Homestead and Non-Homestead property revenue for the 2019-2020 fiscal year was \$2,172,167. The Tax Levy decreased by 1.64 percent less than prior year.

The following summarizes the District's combined Homestead and Non-Homestead tax levies for the past five years:

<u>Fiscal Year</u>	<u>Tax Levy</u>	<u>% Increase/Decrease From Prior Year</u>
2019-2020	\$ 2,172,167	-1.64%
2018-2019	2,208,440	-1.34%
2017-2018	2,238,450	-2.71%
2016-2017	2,300,783	-0.01%
2015-2016	2,301,057	-0.10%

Debt Fund Property Taxes

The District's debt fund levy, which is used to pay the principal and interest on bond obligations, is based on the taxable valuation of all properties, both Homestead and Non-Homestead.

For 2019-2020, the District's debt millage levy was 4.60670 mills which generated revenue of \$2,866,908.

GROSSE ILE TOWNSHIP SCHOOLS

Management's Discussion & Analysis For the Fiscal Year Ended June 30, 2020

Food Sales (School Lunch Program)

The District's food service revenue decreased by \$133,985 to \$468,302 from the prior school year. The decrease was due primarily to declined lunch sales to students and teachers due to the COVID-19 pandemic causing schools to close on Monday, March 16, 2020 and not returning for the remainder of the school year (see subsequent event footnote in the Notes to the Financial Statements).

General Fund Budget – Actual Revenues & Expenditures

General Fund Revenue – 5 Year Comparison of Budget to Actual Results

<u>Fiscal Year</u>	<u>Revenues Original Budget</u>	<u>Revenues Final Budget</u>	<u>Revenues Final Actual</u>	<u>Variance Revenues Actual vs. Original Budget</u>	<u>Variance Revenues Actual vs. Final Budget</u>
2019-2020	\$ 20,039,782	\$ 19,336,178	\$ 20,325,453	1.43%	5.12%
2018-2019	19,667,900	20,499,097	20,824,071	5.88%	1.59%
2017-2018	20,021,700	20,187,763	20,173,780	0.76%	-0.07%
2016-2017	19,679,630	20,626,813	20,808,888	5.74%	0.88%
2015-2016	18,972,647	19,752,942	19,504,949	2.81%	-1.26%

GROSSE ILE TOWNSHIP SCHOOLS

Management's Discussion & Analysis For the Fiscal Year Ended June 30, 2020

General Fund Expenditures – 5 Year Comparison of Budget to Actual Results

<u>Fiscal Year</u>	<u>Expenditures Original Budget</u>	<u>Expenditures Final Budget</u>	<u>Expenditures Final Actual</u>	<u>Variance Expenditures Actual vs. Original Budget</u>	<u>Variance Expenditures Actual vs. Final Budget</u>
2019-2020	\$ 20,559,393	\$ 21,035,610	\$ 19,724,783	-4.06%	-6.23%
2018-2019	19,571,341	20,400,288	19,559,134	-0.06%	-4.12%
2017-2018	19,316,165	19,907,368	19,032,826	-1.47%	-4.39%
2016-2017	19,464,958	19,858,344	19,240,026	-1.16%	-3.11%
2015-2016	19,123,204	19,833,990	19,853,688	3.82%	0.10%

Original vs. Final Budget

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.

The Grosse Ile Township School District amends its budget as necessary during the school year. For the fiscal year June 30, 2020, the budget was amended in June 2020. The June 2020 budget amendment was the final budget for the fiscal year.

General Fund Revenues

Total Revenues - Original Budget	\$ 20,039,782	100.00%
Total Revenues - Final Budget	<u>19,336,178</u>	<u>96.49%</u>
Decrease in Budgeted Revenues	<u>\$ (703,604)</u>	<u>-3.51%</u>

The District's final, actual General Fund revenues differed from the final budget by (\$989,275), a variance of (5.12) percent from the final budget.

GROSSE ILE TOWNSHIP SCHOOLS

Management's Discussion & Analysis For the Fiscal Year Ended June 30, 2020

The District had higher revenues than budgeted for the following:

- Enhancement millage revenues
- Investment earnings
- State-aid revenues

The actual revenue for state sources of \$15,670,023 exceeds final budget of \$14,759,655 by \$910,368 because the District expected a decrease in state aid of \$650 per student but received a decrease of \$175 at June 30, 2020.

General Fund Expenditures

The District's budget for expenditures changed as follows during the year:

Total Expenditures - Original Budget	\$ 20,559,393	100.00%
Total Expenditures - Final Budget	<u>21,035,610</u>	<u>102.32%</u>
Increase in Budgeted Expenditures	<u>\$ 476,217</u>	<u>2.32%</u>

The District's final, actual General Fund expenditures differed from the final budget, by (\$1,310,827) a variance of (6.23) percent from the final budget.

The District had lower expenditures than budgeted for the following:

- Hourly wages and healthcare costs
- Contracted Services
- Supplies
- Operations and maintenance costs

Contacting the District's Financial Management

This financial report is intended to provide our citizens and taxpayers with a general overview of the District's finances. If you have questions about this report or would like additional information, contact the Business Office, Grosse Ile Township School District.

BASIC FINANCIAL STATEMENTS

Grosse Ile Township Schools
Statement of Net Position
June 30, 2020

	Governmental Activities
Assets	
Cash	\$ 377,586
Investments	5,066,795
Accounts receivable	75,760
Due from other governmental units	3,141,415
Interest receivable	6,866
Inventory	10,423
Prepaid items	287,383
Capital assets not being depreciated	1,053,204
Capital assets - net of accumulated depreciation	<u>39,519,210</u>
 Total assets	 <u>49,538,642</u>
 Deferred Outflows of Resources	
Deferred amount relating to net pension liability	11,139,206
Deferred amount relating to net OPEB liability	2,657,806
Deferred amount on debt refunding	<u>529,615</u>
 Total deferred outflows of resources	 <u>14,326,627</u>
 Total assets and deferred outflows of resources	 <u>63,865,269</u>

See Accompanying Notes to the Financial Statements

Grosse Ile Township Schools
Statement of Net Position
June 30, 2020

	Governmental Activities
Liabilities	
Accounts payable	522,537
State aid anticipation note payable	1,074,963
Due to other governmental units	240,858
Payroll deductions and withholdings	77,274
Accrued expenditures	977,135
Accrued salaries payable	1,220,462
Unearned revenue	48,981
Long-term liabilities	
Net pension liability	39,865,610
Net OPEB liability	8,638,698
Debt due within one year	2,248,078
Debt due in more than one year	<u>19,331,686</u>
 Total liabilities	 <u>74,246,282</u>
Deferred Inflows of Resources	
Deferred amount relating to net pension liability	3,379,090
Deferred amount relating to net OPEB liability	<u>3,384,832</u>
 Total deferred inflows of resources	 <u>6,763,922</u>
 Total liabilities and deferred inflows of resources	 <u>81,010,204</u>
Net Position	
Net investment in capital assets	20,110,229
Restricted for	
Debt service	480,222
Capital projects	267,439
Unrestricted	<u>(38,002,825)</u>
 Total net position	 <u>\$ (17,144,935)</u>

See Accompanying Notes to the Financial Statements

Grosse Ile Township Schools
Statement of Activities
For the Year Ended June 30, 2020

		Program Revenues		
	Expenses	Charges for Services	Operating Grants and Contributions	Net (Expense) Revenue and Changes in Net Position
Functions/Programs				
Governmental activities				
Instruction	\$ 13,222,489	\$ 16,350	\$ 1,302,129	\$ (11,904,010)
Supporting services	7,585,816	10,270	92,046	(7,483,500)
Athletics	610,257	115,037	18,640	(476,580)
Food services	617,194	307,014	118,386	(191,794)
Community services	3,541	-	-	(3,541)
Interest and fiscal charges on long-term debt	665,112	-	-	(665,112)
Depreciation - unallocated	1,624,813	-	-	(1,624,813)
Total governmental activities	\$ 24,329,222	\$ 448,671	\$ 1,531,201	(22,349,350)
General revenues				
				2,172,167
				2,870,060
				463,374
				15,712,484
				126,079
				7,740
				771,873
				55,845
				22,179,622
				(169,728)
				(16,975,207)
				\$ (17,144,935)

See Accompanying Notes to the Financial Statements

Grosse Ile Township Schools
Governmental Funds
Balance Sheet
June 30, 2020

	General Fund	Debt Service Fund	Nonmajor Governmental Funds	Total Governmental Funds
Assets				
Cash	\$ 228,542	\$ -	\$ 149,044	\$ 377,586
Investments	4,450,034	517,755	99,006	5,066,795
Accounts receivable	27,545	-	5,356	32,901
Due from other funds	42,859	76,275	68,718	187,852
Due from other governmental units	3,141,415	-	-	3,141,415
Interest receivable	6,866	-	-	6,866
Inventory	-	-	10,423	10,423
Prepaid items	287,383	-	-	287,383
Total assets	<u>\$ 8,184,644</u>	<u>\$ 594,030</u>	<u>\$ 332,547</u>	<u>\$ 9,111,221</u>
Liabilities				
Accounts payable	\$ 515,687	\$ -	\$ 6,850	\$ 522,537
State aid anticipation note payable	1,074,963	-	-	1,074,963
Due to other funds	144,993	-	-	144,993
Due to other governmental units	240,858	-	-	240,858
Payroll deductions and withholdings	77,274	-	-	77,274
Accrued expenditures	443,373	-	-	443,373
Accrued payroll and related liabilities	1,220,462	-	-	1,220,462
Unearned revenue	6,147	-	42,834	48,981
Total liabilities	<u>3,723,757</u>	<u>-</u>	<u>49,684</u>	<u>3,773,441</u>
Fund Balance				
Non-spendable				
Inventory	-	-	10,423	10,423
Prepaid items	287,383	-	-	287,383
Restricted for				
Food service	-	-	5,001	5,001
Debt service	-	594,030	-	594,030
Capital projects	-	-	267,439	267,439
Committed for healthcare costs	97,141	-	-	97,141
Assigned	1,873,925	-	-	1,873,925
Unassigned	2,202,438	-	-	2,202,438
Total fund balance	<u>4,460,887</u>	<u>594,030</u>	<u>282,863</u>	<u>5,337,780</u>
Total liabilities and fund balance	<u>\$ 8,184,644</u>	<u>\$ 594,030</u>	<u>\$ 332,547</u>	<u>\$ 9,111,221</u>

See Accompanying Notes to the Financial Statements

Grosse Ile Township Schools
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position
June 30, 2020

Total fund balances for governmental funds	\$ 5,337,780
Total net position for governmental activities in the statement of net position is different because	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	
Capital assets not being depreciated	1,053,204
Capital assets - net of accumulated depreciation	39,519,210
Certain liabilities are not due and payable in the current period and are not reported in the funds.	
Accrued interest	(113,808)
Claims for insurance benefits	(319,920)
Incurred but not reported benefit claims	(100,034)
Long-term liabilities applicable to governmental activities are not due and payable in the current period and, accordingly, are not reported as fund liabilities.	
Net pension liability	(39,865,610)
Net OPEB liability	(8,638,698)
Compensated absences	(587,964)
Bonds and capital lease payable	(20,991,800)
Deferred outflows (inflows) of resources	
Deferred outflows of resources resulting from debt refunding	529,615
Deferred inflows of resources resulting from net pension liability	(3,379,090)
Deferred inflows of resources resulting from net OPEB liability	(3,384,832)
Deferred outflows of resources resulting from net pension liability	11,139,206
Deferred outflows of resources resulting from net OPEB liability	<u>2,657,806</u>
Net position of governmental activities	<u>\$ (17,144,935)</u>

Grosse Ile Township Schools
Governmental Funds
Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended June 30, 2020

	General Fund	Debt Service Fund	Nonmajor Governmental Funds	Total Governmental Funds
Revenues				
Local sources	\$ 2,548,119	\$ 2,887,819	\$ 785,375	\$ 6,221,313
State sources	15,670,023	-	42,461	15,712,484
Federal sources	529,634	-	118,386	648,020
Interdistrict sources	1,577,677	-	-	1,577,677
	<u>20,325,453</u>	<u>2,887,819</u>	<u>946,222</u>	<u>24,159,494</u>
Expenditures				
Current				
Education				
Instruction	12,104,326	-	-	12,104,326
Supporting services	6,988,731	-	-	6,988,731
Athletics	563,947	-	-	563,947
Food services	-	-	570,358	570,358
Community services	3,272	-	-	3,272
Facilities acquisition	-	-	2,042,246	2,042,246
Capital outlay	41,874	-	-	41,874
Debt service				
Principal	17,221	2,090,000	-	2,107,221
Interest and other expenditures	5,412	783,581	-	788,993
	<u>19,724,783</u>	<u>2,873,581</u>	<u>2,612,604</u>	<u>25,210,968</u>
Total expenditures				
Excess (deficiency) of revenues over expenditures	600,670	14,238	(1,666,382)	(1,051,474)
Other Financing Sources (Uses)				
Transfers in	-	-	62,451	62,451
Transfers out	(62,451)	-	-	(62,451)
	<u>(62,451)</u>	<u>-</u>	<u>62,451</u>	<u>-</u>
Total other financing sources (uses)				
Net change in fund balance	538,219	14,238	(1,603,931)	(1,051,474)
Fund balance - beginning	3,922,668	579,792	1,886,794	6,389,254
Fund balance - ending	<u>\$ 4,460,887</u>	<u>\$ 594,030</u>	<u>\$ 282,863</u>	<u>\$ 5,337,780</u>

See Accompanying Notes to the Financial Statements

Grosse Ile Township Schools
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances
of Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2020

Net change in fund balances - Total governmental funds	\$ (1,051,474)
Total change in net position reported for governmental activities in the statement of activities is 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.	
Depreciation expense	(1,624,813)
Capital outlay	2,038,983
Loss on disposal of fixed assets	(175)
The statement of net position reports the net pension liability and deferred outflows of resources and the deferred inflows related to the net pension liability and pension expense. However, the amount recorded on the governmental funds equals actual pension contributions.	
Net change in net pension liability	(3,595,865)
Net change in the deferred inflow of resources related to the net pension liability	1,278,640
The statement of net position reports the net OPEB liability and deferred outflows of resources and the deferred inflows related to the net OPEB liability and OPEB expense. However, the amount recorded on the governmental funds equals actual OPEB contributions.	
Net change in net OPEB liability	921,806
Net change in the deferred inflow of resources related to the net OPEB liability	(265,860)
Expenses are recorded when incurred in the statement of activities.	
Interest	13,623
Benefit claims	(6,669)
Claims for insurance benefits	(49,842)
Compensated absences	(45,561)
Bond and note proceeds and capital leases are reported as financing sources in the governmental funds and thus contribute to the change in fund balance. In the statement of net position, however, issuing debt increases long-term liabilities and does not affect the statement of activities. Similarly, repayment of principal is an expenditure in the governmental funds but reduces the liability in the statement of net position. Also, governmental funds report the effect of premiums, discounts and similar items when debt is first issued, whereas these amounts are recorded as liabilities and amortized in the statement of activities. When debt refunding occurs, the difference in the carrying value of the refunding debt and the amount applied to the new debt is reported the same as regular debt proceeds or repayments, as a financing source or expenditure in the governmental funds. However, in the statement of net position, debt refunding may result in deferred inflows of resources or deferred outflows of resources, which are then amortized in the statement of activities.	
Repayments of long-term debt	2,107,221
Amortization of premiums	169,504
Amortization of deferred amount on bond refunding	<u>(59,246)</u>
Change in net position of governmental activities	\$ <u>(169,728)</u>

Grosse Ile Township Schools
Fiduciary Funds
Statement of Fiduciary Net Position
June 30, 2020

	Private Purpose Trust Fund	Agency Funds
Assets		
Cash	\$ 351,884	\$ -
Investments	80,418	514,763
Total assets	432,302	\$ 514,763
Liabilities		
Accounts payable	75	\$ 42,306
Due to other funds	10,107	32,752
Due to student and other school groups	-	439,705
Total liabilities	10,182	\$ 514,763
Net Position		
Assets held in trust for scholarships and loans	\$ 422,120	

See Accompanying Notes to the Financial Statements

Grosse Ile Township Schools
Fiduciary Funds
Statement of Changes in Fiduciary Net Position
For the Year Ended June 30, 2020

	<u>Private Purpose Trust Fund</u>
Additions	
Gifts and contributions	\$ 33,708
Interest	<u>4,086</u>
Total additions	37,794
Deductions	
Scholarships awarded	<u>34,846</u>
Change in net position	2,948
Net position - beginning	<u>419,172</u>
Net position - ending	<u><u>\$ 422,120</u></u>

See Accompanying Notes to the Financial Statements

Grosse Ile Township Schools
Notes to the Financial Statements
June 30, 2020

Note 1 - Summary of Significant Accounting Policies

The accounting policies of Grosse Ile Township Schools (the School District) conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The following is a summary of the School District's significant accounting policies:

Reporting Entity

The School District is governed by an elected seven-member Board of Education. The accompanying financial statements have been prepared in accordance with criteria established by the Governmental Accounting Standards Board for determining the various governmental organizations to be included in the reporting entity. These criteria include significant operational financial relationships that determine which of the governmental organizations are a part of the School District's reporting entity, and which organizations are legally separate component units of the School District. The School District has no component units.

District-wide Financial Statements

The School District's basic financial statements include both district-wide (reporting for the School District as a whole) and fund financial statements (reporting the School District's major funds). The district-wide financial statements categorize all nonfiduciary activities as either governmental or business type. All of the School District's activities are classified as governmental activities.

The statement of net position presents governmental activities on a consolidated basis, using the economic resources measurement focus and accrual basis of accounting. This method recognizes all long-term assets and receivables as well as long-term debt and obligations. The School District's net position is reported in three parts (1) net investment in capital assets, (2) restricted net position, and (3) unrestricted net position.

The statement of activities reports both the gross and net cost of each of the School District's functions. The functions are also supported by general government revenues (property taxes and certain intergovernmental revenues). The statement of activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. Program revenues must be directly associated with the function. Operating grants include operating-specific and discretionary (either operating or capital) grants.

The net costs (by function) are normally covered by general revenue (property taxes, state sources and federal sources, interest income, etc.). The School District does not allocate indirect costs. In creating the district-wide financial statements the School District has eliminated interfund transactions.

The district-wide focus is on the sustainability of the School District as an entity and the change in the School District's net position resulting from current year activities.

Fund Financial Statements

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

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

Grosse Ile Township Schools
Notes to the Financial Statements
June 30, 2020

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

Fiduciary fund statements also are reported using the economic resources measurement focus and the accrual basis of accounting.

The School District reports the following major governmental funds:

General Fund – The General Fund is used to record the general operations of the School District pertaining to education and those operations not required to be provided for in other funds.

Debt Service Fund – The Debt Service Fund is used to record tax, interest, and other revenue and the payment of interest, principal, and other expenditures on long-term debt.

Additionally, the School District reports the following fund types:

Special Revenue Fund – The Special Revenue Fund is used to account for the proceeds of specific revenue sources that are restricted to expenditures for specified purposes. The School District’s Special Revenue Fund includes the Cafeteria Fund. Operating deficits generated by these activities are generally transferred from the General Fund.

Capital Projects Fund – The Capital Projects Fund is used to record bond proceeds or other revenue and the disbursement of invoices specifically for acquiring new school sites, buildings, equipment, and for remodeling and repairs. The fund is kept open until the purpose for which the fund was created has been accomplished.

Sinking Fund – The Sinking Fund is used to record the sinking fund property tax levy and other revenue and the disbursement of

invoices specifically for acquiring new school sites, construction or repair of school buildings.

Fiduciary Funds – Fiduciary Funds are used to account for assets held by the School District in a trustee capacity or as an agent. The Trust Funds are funds entrusted to the School District for scholarship awards and loans and the principal and interest of the trust may be spent. The Agency Fund is custodial in nature (assets equal liabilities) and does not involve the measurement of results of operations. This fund is used to record the transactions of student groups for school and school-related purposes.

Assets, Liabilities and Net Position or Equity

Receivables and Payables – Generally, outstanding amounts owed between funds are classified as “due from/to other funds”. These amounts are caused by transferring revenues and expenses between funds to get them into the proper reporting fund. These balances are paid back as cash flow permits.

All trade and property tax receivables are shown net of an allowance for uncollectible amounts. The School District considers all accounts receivable to be fully collectible; accordingly, no allowance for uncollectible amounts is recorded.

Property taxes collected are based upon the approved tax rate for the year of levy. For the fiscal year ended June 30, 2020, the rates are as follows per \$1,000 of assessed value.

General Fund	
Principal residence exemption	1.85930
Non-principal residence exemption	18.00000
Debt Service Funds	4.60670
Sinking Fund	0.74390

Grosse Ile Township Schools
Notes to the Financial Statements
June 30, 2020

School property taxes are assessed and collected in accordance with enabling state legislation by cities and townships within the School District's boundaries. 100% of the School District's tax roll lies within Wayne County.

The property tax levy runs from July 1 to June 30. Property taxes become a lien on the first day of the levy year and are due on or before September 14 or February 14. Collections are forwarded to the School District as collected by the assessing municipalities. Real property taxes uncollected as of March 1 are purchased by Wayne County and remitted to the School District.

Investments – Investments are stated at fair value based on a quoted market price. Certificates of deposit are stated at cost which approximates fair value.

Inventories and Prepaid Items – Inventories are valued at cost, on a first-in, first-out basis. Inventories of governmental funds are recorded as expenditures when consumed, rather than when purchased.

Certain payments to vendors reflect costs applicable to future fiscal years. For such payments in governmental funds the School District follows the consumption method, and they therefore are categorized as prepaid items in both district-wide and fund financial statements.

Capital Assets – Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at their estimated fair market value at the date of donation. The School District defines capital assets as assets with an initial individual cost in excess of \$5,000. Costs of normal repair and maintenance that do not add to the value or materially extend asset lives are not capitalized. The School District does not have infrastructure assets. Buildings, equipment, and vehicles are depreciated using the straight-line method over the following useful lives:

Buildings and additions	20–50 years
Site improvements	10–20 years
Equipment and furniture	5–10 years
Buses and other vehicles	5–10 years

Deferred Outflows of Resources – A deferred outflow of resources is a consumption of net position by the government that is applicable to a future reporting period. Deferred amounts on bond refundings are included in the district-wide financial statements. The amounts represent the difference between the reacquisition price and the net carrying amount of the prior debt. For district-wide financial statements, the School District reports deferred outflows of resources as a result of pension and OPEB plan earnings. This amount is the result of a difference between what the plan expected to earn from plan investments and what is actually earned. This amount will be amortized over the next four years and included in pension and OPEB expense. Changes in assumptions and experience differences relating to the net pension and OPEB liabilities are deferred and amortized over the expected remaining service lives of the employees and retirees in the plans. The School District also reported deferred outflows of resources for pension and OPEB contributions made after the measurement date. This amount will reduce the net pension and OPEB liabilities in the following year.

Compensated Absences – The liability for compensated absences reported in the district-wide statements consists of unpaid, accumulated annual and sick leave balances. The liability has been calculated using the vesting method, in which vacation amounts for both employees who are currently eligible to receive termination payments and other employees who are expected to become eligible in the future to receive such payments upon termination are included.

Long-term Obligations – In the district-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable

Grosse Ile Township Schools
Notes to the Financial Statements
June 30, 2020

bond premium or discount. In the fund financial statements, governmental fund types recognize bond premiums and discounts during the current period.

In the School District's fund financial statements, the face amount of the debt issued is reported as other financing sources. Premiums received on debt issuance are reported as other financing sources while discounts are reported as other financing uses.

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

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

Deferred Inflows of Resources – A deferred inflow of resources is an acquisition of net position by the government that is applicable to a future reporting period. For governmental funds this includes unavailable revenue in connection with receivables for revenues that are not considered available to liquidate liabilities of the current period. For district-wide financial statements, the School District reports deferred

inflows of resources as a result of pension and OPEB plan earnings. This amount is the result of a difference between what the plan expected to earn from the plan investments and what the plan actually earned. This amount will be amortized over the next four years and included in pension and OPEB expense. Changes in assumptions and experience differences relating to the net pension and OPEB liabilities are deferred and amortized over the expected remaining service lives of the employees and retirees in the plans. Deferred inflows of resources also includes revenue received relating to the amounts included in the deferred outflows for payments related to MPERS Unfunded Actuarial Accrued Liabilities (UAAL) Stabilization defined benefit pension statutorily required contributions.

Fund Balance – In the fund financial statements, governmental funds report fund balance in the following categories:

Non-spendable – amounts that are not available in a spendable form.

Restricted – amounts that are legally imposed or otherwise required by external parties to be used for a specific purpose.

Committed – amounts that have been formally set aside by the Board of Education for specific purposes. A fund balance commitment may be established, modified, or rescinded by a resolution of the Board of Education.

Assigned – amounts intended to be used for specific purposes, as determined by the Board of Education or the Business Manager. The Board of Education has granted the Business Manager the authority to assign funds. Residual amounts in governmental funds other than the General Fund are automatically assigned by their nature.

Unassigned – all other resources; the remaining fund balances after non-spendable, restrictions, commitments and assignments.

Grosse Ile Township Schools

Notes to the Financial Statements

June 30, 2020

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the School District's policy is to consider restricted funds spent first.

When an expenditure is incurred for purposes for which committed, assigned, or unassigned amounts could be used, the School District's policy is to consider the funds to be spent in the following order: (1) committed, (2) assigned, (3) unassigned.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities, as well as deferred inflows and deferred outflows of resources at the date of the financial statements and the reported amounts of revenue and expenditures during the reporting period. Actual results could differ from those estimates.

Eliminations and Reclassifications

In the process of aggregating data for the statement of net position and the statement of activities, some amounts reported as interfund activity and balances in the funds were eliminated or reclassified. Interfund receivables and payables were eliminated to minimize the "grossing up" effect on assets and liabilities within the governmental activities column.

Adoption of New Accounting Standards

Statement No. 90, *Majority Equity Interests* improves the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and improves the relevance of financial statement information for certain components. Management has determined to implement the requirements of this Statement for the fiscal year ending June 30, 2020, in accordance with the original implementation date of the Statement.

Statement No. 92, *Omnibus 2020* enhances comparability in accounting and financial reporting and improves the consistency of authoritative

literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics and includes specific provisions about the following: (1) The effective date of Statement No. 87, Leases, and Implementation Guide No. 2019-3, Leases, for interim financial reports (2) Reporting of intra-entity transfers of assets between a primary government employer and a component unit defined benefit pension plan or defined benefit other postemployment benefit (OPEB) plan. (3) The applicability of Statements No. 73, Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68, as amended, and No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans, as amended, to reporting assets accumulated for postemployment benefits. (4) The applicability of certain requirements of Statement No. 84, Fiduciary Activities, to postemployment benefit arrangements. (5) Measurement of liabilities (and assets, if any) related to asset retirement obligations (AROs) in a government acquisition. (6) Reporting by public entity risk pools for amounts that are recoverable from reinsurers or excess insurers. (7) Reference to nonrecurring fair value measurements of assets or liabilities in authoritative literature. (8) Terminology used to refer to derivative instruments. Management has implemented the required portions of this Statement and will implement the remaining requirements as each Statement referenced becomes effective.

Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance* provides a temporary relief to governments and other stakeholders in light of the COVID-19 pandemic and provides a postponement of certain GASB Statements. This Statement was effective upon issuance in May of 2020.

Upcoming Accounting and Reporting Changes

Statement No. 84, *Fiduciary Activities* improves the guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. The focus of the criteria includes the following: (1) is the

Grosse Ile Township Schools Notes to the Financial Statements June 30, 2020

government controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. The four fiduciary funds that should be reported, if applicable are: (1) pension (and other employee benefit) trust funds, (2) investment trust funds, (3) private-purpose trust funds, and (4) custodial funds. Custodial funds generally will report fiduciary activities that are not held in a trust or similar arrangement that meets specific criteria. Management has determined to implement the requirements of this Statement for the fiscal year ending June 30, 2021, in accordance with the original implementation date of the statement.

Statement No. 87, *Leases* increases the usefulness of the School District's financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. A lessee will be required to recognize a lease liability and an intangible right-to-use a lease asset, and a lessor will be required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about the School District's leasing activities. The requirements of this Statement are effective for the fiscal year ending June 30, 2022.

Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period* enhances the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and to simplify accounting for interest cost incurred before the end of a construction period. It requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reporting in a business-type activity or enterprise fund. Interest cost incurred before the end of a construction period should be recognized as an expenditure for financial

statements prepared using the current financial resources measurement. The requirements of this Statement are effective for the fiscal year ending June 30, 2022.

Statement No. 91, *Conduit Debt Obligations* provides a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures. This Statement is effective for the year ending June 30, 2023.

Statement No. 93, *Replacement of Interbank Offered Rates* establishes accounting and financial reporting requirements related to the replacement of IBORs in hedging derivative instruments and leases. It also identifies appropriate benchmark interest rates for hedging derivative instruments. The requirements of this Statement apply to the financial statements of all state and local governments. This Statement is effective for the year ending June 30, 2022.

Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements* improves financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). As used in this Statement, a PPP is an arrangement in which a government (the transferor) contracts with an operator (a governmental or nongovernmental entity) to provide public services by conveying control of the right to operate or use a nonfinancial asset, such as infrastructure or other capital asset (the underlying PPP asset), for a period of time in an exchange or exchange-like transaction. Some PPPs meet the definition of a service concession arrangement (SCA), which the Board defines in this Statement as a PPP in which (1) the operator collects and is

Grosse Ile Township Schools
Notes to the Financial Statements
June 30, 2020

compensated by fees from third parties; (2) the transferor determines or has the ability to modify or approve which services the operator is required to provide, to whom the operator is required to provide the services, and the prices or rates that can be charged for the services; and (3) the transferor is entitled to significant residual interest in the service utility of the underlying PPP asset at the end of the arrangement. This Statement also provides guidance for accounting and financial reporting for availability payment arrangements (APAs). As defined in this Statement, an APA is an arrangement in which a government compensates an operator for services that may include designing, constructing, financing, maintaining, or operating an underlying nonfinancial asset for a period of time in an exchange or exchange-like transaction. This Statement is effective for the year ending June 30, 2023.

The School District is evaluating the impact the above GASBs will have on its financial reporting.

Note 2 - Stewardship, Compliance, and Accountability

Budgetary Information

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America and state law for the General and Special Revenue Funds. All annual appropriations lapse at fiscal year end, thereby canceling all encumbrances. These appropriations are reestablished at the beginning of the year.

The budget document presents information by fund and function. The legal level of budgetary control adopted by the governing body is the function level. State law requires the School District to have its budget in place by July 1. A school district is not considered in violation of the law if reasonable procedures are in use by the School District to detect violations.

The Superintendent is authorized to transfer budgeted amounts between functions within any fund; however, any revisions that alter the

total expenditures of any fund must be approved by the Board of Education.

Budgeted amounts are as originally adopted or as amended by the Board of Education throughout the year. Individual amendments were not material in relation to the original appropriations.

Compliance – Sinking Funds

The Capital Projects Fund records capital project activities funded with the Sinking Fund millage. For this fund, the School District has complied with the applicable provisions of § 1212(1) of the Revised School Code and the State of Michigan Department of Treasury Letter No. 2004-4.

Note 3 - Deposits and Investments

The School District's deposits and investments were reported in the basic financial statements in the following categories:

	<u>Governmental Activities</u>	<u>Fiduciary Funds</u>	<u>Total Primary Government</u>
Cash	\$ 377,586	\$ 351,884	\$ 729,470
Investments	<u>5,066,795</u>	<u>595,181</u>	<u>5,661,976</u>
	<u>\$ 5,444,381</u>	<u>\$ 947,065</u>	<u>\$ 6,391,446</u>

Grosse Ile Township Schools
Notes to the Financial Statements
June 30, 2020

The breakdown between deposits and investments for the School District is as follows:

Deposits (checking, savings accounts, money markets, certificates of deposit)	\$ 728,620
Investments in securities, mutual funds, and similar vehicles	5,661,976
Petty cash and cash on hand	850
Total	\$6,391,446

As of year-end, the School District had the following investments:

Investment	Fair Value	Maturities	Rating	Rating Organization
Michigan Liquid Asset Fund Plus	\$5,661,976	6 months average	AAAm	Standard & Poors

Interest rate risk – The School District does not have a formal investment policy to manage its exposure to fair value losses arising from changes in interest rates.

Credit risk – State statutes and the School District’s investment policy authorize the School District to make deposits in the accounts of federally insured banks, credit unions, and savings and loan associations that have an office in Michigan; the School District is allowed to invest in U.S. Treasury or Agency obligations, U.S. government repurchase agreements, bankers’ acceptances, commercial paper rated prime at the time of purchase that matures not more than 270 days after the date of purchase, mutual funds, and investment pools that are composed of authorized investment vehicles.

Concentration of credit risk – The School District has no policy that would limit the amount that may be invested with any one issuer.

Custodial credit risk – deposits – In the case of deposits, this is the risk that in the event of a bank failure, the School District’s deposits may not be returned to it. The School District does not have a deposit policy for custodial credit risk. As of year-end, \$261,730 of the School District’s bank balance of \$872,011 was exposed to custodial credit risk because it was uninsured and uncollateralized.

Custodial credit risk – investments – For an investment, this is the risk that, in the event of the failure of the counterparty, the government will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. As of year-end, the School District’s Michigan Liquid Asset Funds Plus investments of \$5,661,976 were uninsured.

Note 4 - Fair Value Measurements

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

- Amounts invested in MILAF+ Portfolio of \$5.66 million. The MILAF+ Portfolio is not registered under Rule 2a-7 under the Investment Company Act of 1940. The money market securities are valued using amortized cost, which generally approximates the current fair value of the security. However, the value is not obtained from a quoted price in an active market. (Level 2 inputs).

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Notes to the Financial Statements
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Note 5 - Capital Assets

A summary of the changes in governmental capital assets is as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities				
Capital assets not being depreciated				
Construction in progress	\$ 79,487	\$ 1,053,204	\$ 79,487	\$ 1,053,204
Capital assets being depreciated				
Buildings and additions	53,874,683	484,114	200	54,358,597
Site improvements	2,205,572	469,357	-	2,674,929
Equipment and furniture	12,005,103	111,795	25,500	12,091,398
Buses and other vehicles	1,567,331	-	-	1,567,331
Total capital assets being depreciated	<u>69,652,689</u>	<u>1,065,266</u>	<u>25,700</u>	<u>70,692,255</u>
Less accumulated depreciation for				
Buildings and additions	18,810,906	1,096,916	25	19,907,797
Site improvements	502,372	132,833	-	635,205
Equipment and furniture	9,305,959	297,424	25,500	9,577,883
Buses and other vehicles	954,520	97,640	-	1,052,160
Total accumulated depreciation	<u>29,573,757</u>	<u>1,624,813</u>	<u>25,525</u>	<u>31,173,045</u>
Net capital assets being depreciated	<u>40,078,932</u>	<u>(559,547)</u>	<u>175</u>	<u>39,519,210</u>
Net capital assets	<u>\$ 40,158,419</u>	<u>\$ 493,657</u>	<u>\$ 79,662</u>	<u>\$ 40,572,414</u>

Depreciation expense was not charged to activities as the School District considers its assets to impact multiple activities and allocation is not practical.

Note 6 - Interfund Receivable and Payable and Transfers

Individual interfund receivable and payable balances at year end were:

Due From	Due To	Amount
General fund	Nonmajor governmental funds	\$ 68,718
General fund	Debt service fund	76,275
Fiduciary funds	General fund	42,859
		<u>\$ 187,852</u>

The outstanding balances between funds result mainly from the time lag between the dates that transactions are recorded in the accounting system and payments between funds are made. Management does not anticipate individual interfund balances to remain outstanding for periods in excess of one year.

Interfund transfers consist of the following:

Transfers in	Transfers Out
	General Fund
Nonmajor Funds	<u>\$ 62,451</u>

These transfers were made to cover the costs of the School District's Food Service Fund that were in excess of revenues generated from those activities.

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Notes to the Financial Statements
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Note 7 - Unearned Revenue

Governmental funds report unearned revenue in connection with resources that have been received but not yet earned. At the end of the current fiscal year, the components of unearned revenue are as follows:

	Unearned
Student meal accounts	\$ 42,834
Grant and categorical aid payments received prior to meeting all eligibility requirements	6,147
Total	\$ 48,981

Note 8 - Capital Leases

The School District has capital leases for two copy machines. The future minimum lease payments are as follows:

Year ending June 30,		Unearned
2021	\$	22,633
2022		20,748
Total minimum lease payments		43,381
Less amount representing interest		4,499
Present value of minimum lease payments	\$	38,882

Assets	
Equipment and furniture	\$ 83,972
Less accumulated depreciation	(52,481)
Total	\$ 31,491

Note 9 - State Aid Anticipation Note

The School District issues state aid anticipation notes in advance of state aid collections, depositing the proceeds in the General Fund. These notes are necessary because the School District receives state aid from October through the following August for its fiscal year ending June 30th. The School District is required to pledge 100% of their state school aid, October through August, or until the note is repaid, whichever is longer. The State has discretion to accelerate repayment terms if they have cause for concern. If the note is in default status, there is a penalty interest rate that may apply.

Short-term debt activity for the year was as follows:

	Beginning Balance	Proceeds	Repayments	Ending Balance
State aid anticipation note	\$ 1,040,031	\$ 2,874,963	\$ 2,840,031	\$ 1,074,963

The state aid anticipation note agreement includes an irrevocable set-aside of \$1,800,000 at year end that is considered defeased debt and not included in the ending balance.

Note 10 - Long-Term Debt

The School 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

Grosse Ile Township Schools
Notes to the Financial Statements
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credit of the School District. Other long-term obligations include compensated absences and capital leases.

Future principal and interest requirements for bonded debt are as follows:

Long-term obligation activity is summarized as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Amount Due Within One Year
Bonds and notes payable					
General obligation bonds	\$ 21,620,000	\$ -	\$ 2,090,000	\$ 19,530,000	\$ 2,175,000
Premium on bonds	1,592,422	-	169,504	1,422,918	-
Total bonds payable	<u>23,212,422</u>	<u>-</u>	<u>2,259,504</u>	<u>20,952,918</u>	<u>2,175,000</u>
Other liabilities					
Capital lease	56,103	-	17,221	38,882	17,221
Compensated absences	542,403	45,561	-	587,964	55,857
Total other liabilities	<u>598,506</u>	<u>45,561</u>	<u>17,221</u>	<u>626,846</u>	<u>73,078</u>
Total	<u>\$ 23,810,928</u>	<u>\$ 45,561</u>	<u>\$ 2,276,725</u>	<u>\$ 21,579,764</u>	<u>\$ 2,248,078</u>

For governmental activities, compensated absences and the capital lease are primarily liquidated by the General Fund.

General obligation bonds payable at year end, consist of the following:

2018 refunding bond due in annual installments of \$1,145,000-\$1,195,000 through 2022, interest at 4.00%-5.00%	\$ 2,305,000
2015 refunding bond due in annual installments of \$590,000-\$605,000 through 2032, interest at 1.49%-3.03%	7,185,000
2016 school building bond due in annual installments of \$215,000-\$1,515,000 through 2028, interest at 2.00%-3.00%	<u>10,040,000</u>
Total general obligation bonded debt	<u><u>\$ 19,530,000</u></u>

	Principal	Interest	Total
Year Ending June 30,			
2021	\$ 2,175,000	\$ 698,024	\$ 2,873,024
2022	2,280,000	601,726	2,881,726
2023	2,115,000	503,776	2,618,776
2024	2,115,000	443,474	2,558,474
2025	2,115,000	383,172	2,498,172
2026 - 2030	7,545,000	986,008	8,531,008
2031 - 2035	<u>1,185,000</u>	<u>88,754</u>	<u>1,273,754</u>
Total	<u><u>\$ 19,530,000</u></u>	<u><u>\$ 3,704,934</u></u>	<u><u>\$ 23,234,934</u></u>

The general obligation bonds are payable from the Debt Service Funds. As of year-end, the fund had a balance of \$594,030 to pay this debt. Future debt and interest will be payable from future tax levies.

Deferred Amount on Refunding

Advanced refundings resulted in differences between the reacquisition price and the net carrying amount of the old debt. These amounts are reported in the accompanying statement of net position as a deferred outflow of resources and are being charged to activities through fiscal year 2031.

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Deferred amount on refunding activity is summarized below:

	Beginning Balance	Additions	Reductions	Ending Balance
2015 refunding bonds	\$ 502,021	\$ -	\$ 43,184	\$ 458,837
2018 refunding bonds	86,840	-	16,062	70,778
	<u>\$ 588,861</u>	<u>\$ -</u>	<u>\$ 59,246</u>	<u>\$ 529,615</u>

Defeased Debt

In prior years, the School District has defeased various bonds issued by creating separate irrevocable trust funds. New debt has been issued and the net proceeds of each refunding were placed in separate special escrow accounts and invested in securities of the U.S. Government and its agencies. The investments and fixed earnings from the investments are sufficient to fully service the defeased debt until the debt is called or matures. For financial reporting purposes, the refunded bonds are considered to be defeased. Accordingly, the trust account assets and liability for the defeased bonds are not included in the School District's financial statements.

The remaining principal is callable May 2025. As of year end, the amount of defeased debt outstanding but removed from the School District's financial statements is as follows:

2006 Issue refunded	<u>\$ 7,185,000</u>
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Compensated Absences

Accrued compensated absences at year end, consist of \$184,182 of vacation hours earned and vested, \$11,582 in accrued sick time benefits and \$392,200 of severance pay earned and vested. The amount anticipated to be paid out over the next year is included within the amounts listed as due within one year.

Note 11 - Risk Management

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

The School District is self-insured for health benefits paid on behalf of its employees. Deposits are made to the insurance administrator each month and then settled up quarterly based on actual claims and administrative fees. The plan provides a stop-loss provision of \$100,000 per family. For governmental activities, the liability for health benefits is primarily liquidated by the General Fund.

The School District's prescription drug coverage is included with the self-insured medical plan and is administered by BCBSM through Express Scripts. According to the provisions of this program, the School District pays all prescription claims, with the exception of designated co-pays. The designated co-pays for each prescription depends on whether the prescription drug is a generic, preferred (formulary) brand, or non-preferred (non-formulary) brand drug. Co-pays range from \$10-\$160 based on brand. Deposits to the plan are made to the insurance administrator each month and then settled up quarterly based on actual claims and administrative fees. For governmental activities, the liability of prescription benefits is primarily liquidated by the General Fund.

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Notes to the Financial Statements
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Change in estimated liabilities for claims for health and prescription benefits for the year is as follows:

Estimated liability at the beginning of the year	\$ 93,365
Estimated claims incurred including changes in estimates	1,535,053
Claim payments	<u>(1,528,384)</u>
 Estimated liability end of year	 <u>\$ 100,034</u>

Note 12 - Pension Plan

Plan Description

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

The System's 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 on the ORS website at www.michigan.gov/orsschools.

Benefits Provided

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

A DB plan member who leaves Michigan public school employment may request a refund of his or her member contributions to the retirement system account 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.

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.

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Notes to the Financial Statements
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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 Sept. 30, 2038.

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

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

Required contributions to the pension plan from the School District were \$3,197,925 for the year ending September 30, 2019.

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

At June 30, 2020, the School District reported a liability of \$39,865,610 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 School 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 School District's proportion was 0.1204 percent, which was a decrease of 0.0003 percent from its proportion measured as of September 30, 2018.

For the plan year ending September 30, 2019, the School District recognized pension expense of \$5,637,734 for the measurement period. For the reporting period ending June 30, 2020, the School District recognized total pension contribution expense of \$3,343,291.

At June 30, 2020, the School 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	Total
Difference between expected and actual experience	\$ 178,690	\$ (166,236)	\$ 12,454
Changes of assumptions	7,805,714	-	7,805,714
Net difference between projected and actual earnings on pension plan investments	-	(1,277,625)	(1,277,625)
Changes in proportion and differences between the School District contributions and proportionate share of contributions	-	(611,106)	(611,106)
Total to be recognized in future	7,984,404	(2,054,967)	5,929,437
School District contributions subsequent to the measurement date	3,154,802	(1,324,123)	1,830,679
Total	\$ 11,139,206	\$ (3,379,090)	\$ 7,760,116

Contributions subsequent to the measurement date 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. The School District will offset the contribution expense in the year ended June 30, 2021 with the 147c supplemental income received subsequent to the measurement date which is included in the deferred inflows of resources. Other amounts reported as deferred outflows of resources related to pensions will be recognized in pension expense as follows during the following plan years:

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Deferred (Inflow) and Deferred Outflow of Resources by Year
 (To Be Recognized in Future Pension Expenses)

2020	\$	2,194,035
2021		1,909,015
2022		1,299,198
2023		527,189
	\$	5,929,437

Actuarial Assumptions

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

Additional information as of the latest actuarial valuation follows:

Summary of Actuarial Assumptions:

- Valuation Date: September 30, 2018
- Actuarial Cost Method: Entry Age, Normal
- Wage inflation rate: 2.75%
- Investment Rate of Return:
 - MIP and Basic Plans: 6.80%
 - Pension Plus Plan: 6.80%
 - Pension Plus 2 Plan: 6.00%
- Projected Salary Increases: 2.75 – 11.55%, including wage inflation at 2.75%
- Cost-of-Living Pension Adjustments: 3% Annual Non-Compounded for MIP Members

- Mortality:
 - Retirees: RP-2014 Male and Female Healthy Annuitant Mortality Tables, scaled by 82% for males and 78% for females and adjusted for mortality improvements using projection scale MP-2017 from 2006.
- Active Members: Male and Female Employee Annuitant Mortality Tables, scaled 100% and adjusted for mortality improvements using projection scale MP-2017 from 2006.

Assumption changes as a result of an experience study for the period 2012 through 2017 have been adopted by the System for use in the annual pension valuations beginning with the September 30, 2017 valuation. The total pension liability as of September 30, 2019, is based on the results of an actuarial valuation date of September 30, 2018, and rolled forward using generally accepted actuarial procedures, including the experience study.

Recognition period for liabilities is the average of the expected remaining service lives of all employees in years: 4.4977 years.

Recognition period for assets is 5 years.

Full actuarial assumptions are available in the 2019 MPSERS Comprehensive Annual Financial Report found on the ORS website at www.michigan.gov/orsschools.

Long-Term Expected Return on Plan Assets

The long-term expected rate of return on 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

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allocation as of September 30, 2019, are summarized in the following table:

Asset Class	Target Allocation	Long Term Expected Real Rate of Return*
Domestic Equity Pools	28.0 %	5.5 %
Alternative Investment Pools	18.0	8.6
International Equity	16.0	7.3
Fixed Income Pools	10.5	1.2
Real Estate and Infrastructure Pools	10.0	4.2
Absolute Return Pools	15.5	5.4
Short Term Investment Pools	2.0	0.8
	<u>100.0%</u>	

*Long-term rates of return are net of administrative expenses and 2.3% inflation.

Rate of Return

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

Discount Rate

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

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

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

1% Decrease *	Current Single Discount Rate Assumption *	1% Increase *
5.80% / 5.80% / 5.0%	6.80% / 6.80% / 6.0%	7.80% / 7.80% / 7.0%
<u>\$ 51,827,843</u>	<u>\$ 39,865,610</u>	<u>\$ 29,948,506</u>

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

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**Michigan Public School Employees' Retirement System (MPSERS)
Fiduciary Net Position**

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

Payables to the Michigan Public School Employees' Retirement System (MPSERS)

There were no significant payables to the pension plan that are not ordinary accruals to the School District.

Note 13 - Postemployment Benefits Other Than Pensions (OPEB)

Plan Description

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

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

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

The System's financial statements are available on the ORS website at www.michigan.gov/orsschools.

Benefits Provided

Benefit provisions of the postemployment healthcare plan are established by 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 with 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.

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

Contributions

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

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

The schedule below summarizes OPEB contribution rates in effect for plan year 2019.

OPEB Contribution Rates		
Benefit Structure	Member	Employer
Premium Subsidy	3.0%	7.93%
Personal Healthcare Fund (PHF)	0.0%	7.57%

Required contributions to the OPEB plan from the School District were \$826,359 for the year ended September 30, 2019.

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

At June 30, 2020, the School District reported a liability of \$8,638,698 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 School 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 School District's proportion was 0.1204 percent, which was an increase of 0.001 percent from its proportion measured as of September 30, 2018.

For the plan year ending September 30, 2019, the School District recognized OPEB expense of \$204,967 for the measurement period. For the reporting period ending June 30, 2020, the School District recognized total OPEB expense of \$864,499.

At June 30, 2020, the School District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

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Notes to the Financial Statements
June 30, 2020

	Deferred Outflows of Resources	Deferred Inflows of Resources	Total
Difference between expected and actual experience	\$ -	\$ (3,169,782)	\$ (3,169,782)
Changes of assumptions	1,871,831	-	1,871,831
Net difference between projected and actual earnings on OPEB plan investments		(150,231)	(150,231)
Changes in proportion and differences between the School District contributions and proportionate share of contributions	6,127	(64,819)	(58,692)
Total to be recognized in future	1,877,958	(3,384,832)	(1,506,874)
School District contributions subsequent to the measurement date	779,848	-	779,848
Total	<u>\$ 2,657,806</u>	<u>\$ (3,384,832)</u>	<u>\$ (727,026)</u>

Contributions subsequent to the measurement date 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 during the following plan years:

Deferred (Inflow) and Deferred Outflow of Resources by Year (To Be Recognized in Future OPEB Expenses)		
2020	\$	(418,164)
2021		(418,164)
2022		(343,179)
2023		(220,706)
2024		(106,661)
	<u>\$</u>	<u>(1,506,874)</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.

Additional information as of the latest actuarial valuation follows:

Summary of Actuarial Assumptions:

- Valuation Date: September 30, 2018
- Actuarial Cost Method: Entry Age, Normal
- Wage inflation rate: 2.75%
- Investment Rate of Return: 6.95%
- Projected Salary Increases: 2.75 - 11.55%, including wage inflation at 2.75%
- Healthcare Cost Trend Rate: 7.5% Year 1 graded to 3.5% Year 12
- Mortality:
 - Retirees: RP-2014 Male and Female Healthy Annuitant Mortality Tables, scaled by 82% for males and 78% for

Grosse Ile Township Schools
Notes to the Financial Statements
June 30, 2020

females and adjusted for mortality improvements using projection scale MP-2017 from 2006.

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

Other Assumptions:

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

Assumption changes as a result of an experience study for the period 2012 through 2017 have been adopted by the System for use in the annual pension valuations beginning with the September 30, 2017 valuation. The total OPEB liability as of September 30, 2019, is based on the results of an actuarial valuation date of September 30, 2018, and rolled forward using generally accepted actuarial procedures, including the experience study.

Recognition period for liabilities is the average of the expected remaining service lives of all employees is 5.7101 years.

Recognition period for assets is 5 years.

Full actuarial assumptions are available in the 2019 MPSERS Comprehensive Annual Financial Report found on the ORS website at www.michigan.gov/orsschools.

Long-Term Expected Return on Plan Assets

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

Asset Class	Target Allocation	Long Term Expected Real Rate of Return*
Domestic Equity Pools	28.0 %	5.5 %
Alternative Investment Pools	18.0	8.6
International Equity	16.0	7.3
Fixed Income Pools	10.5	1.2
Real Estate and Infrastructure Pools	10.0	4.2
Absolute Return Pools	15.5	5.4
Short Term Investment Pools	2.0	0.8
	<u>100.0%</u>	

**Long-term rates of return are net of administrative expenses and 2.3% inflation.*

Rate of Return

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

Grosse Ile Township Schools
Notes to the Financial Statements
June 30, 2020

Discount Rate

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

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

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

1% Decrease 5.95%	Current Discount Rate 6.95%	1% Increase 7.95%
\$ 10,596,661	\$ 8,638,698	\$ 6,994,552

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

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

1% Decrease	Current Healthcare Cost Trend Rate	1% Increase
\$ 6,924,848	\$ 8,638,698	\$ 10,596,428

OPEB Plan Fiduciary Net Position

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

Payables to the OPEB Plan

There were no significant payables to the OPEB plan that are not ordinary accruals to the School District.

Note 14 - Contingent Liabilities

Amounts received or receivable from grantor agencies are subjected to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of costs which may be disallowed by the grantor cannot be determined at this time, although the School District expects such amounts, if any, to be immaterial. A separate report on federal compliance has been issued for the year June 30, 2020.

Grosse Ile Township Schools
Notes to the Financial Statements
June 30, 2020

Note 15 - Subsequent Events

Subsequent to year end, the School District borrowed \$2,960,000 in short-term state aid anticipation notes through the Michigan Finance Authority. Proceeds from the borrowing were distributed to the School District in August of 2020.

As result of the global coronavirus pandemic of 2020, the financial picture for Michigan School Districts has seen an unanticipated change. The duration and full effects of the outbreak are currently unknown, as the local and global picture continues to change frequently. To reduce the chance of spreading COVID-19; in March 2020, public schools were closed for the remainder of the 2019-2020 school year. As a result of the pandemic, the State of Michigan encountered a revenue shortfall resulting in a revenue reduction for districts of \$175 per pupil which reduced the state aid payment in August of 2020. Subsequent to year end, multiple new revenue sources were approved; including Public Act 123 of 2020 which provides districts an approximate \$12.32 per pupil and Public Act 146 of 2020 which provides districts \$350 per pupil. These new revenue streams approved after June 30, 2020 will be recognized in the fiscal year ended June 30, 2021 in accordance with reporting criteria established by the Governmental Accounting Standards Board. Additionally, the "Return to Learn" legislation passed subsequent to year end which modifies the per pupil foundation allowance calculation and allows flexibilities in the days and attendance requirements for districts. Local districts are able to decide whether to provide instruction virtually or face to face for the 2020-2021 school year. Currently, it is not possible to estimate the full extent of any potential impacts to the District or to determine if any changes in fair values are other than temporary in nature. Accordingly, no adjustments to the financial statements were made as a result of these events.

REQUIRED SUPPLEMENTARY INFORMATION

Grosse Ile Township Schools
Required Supplementary Information
Budgetary Comparison Schedule - General Fund
For the Year Ended June 30, 2020

	Budgeted Amounts		Actual	Over (Under) Budget
	Original	Final		
Revenues				
Local sources	\$ 2,659,900	\$ 2,600,850	\$ 2,548,119	\$ (52,731)
State sources	15,624,425	14,759,655	15,670,023	910,368
Federal sources	522,807	568,823	529,634	(39,189)
Interdistrict sources	1,232,650	1,406,850	1,577,677	170,827
Total revenues	20,039,782	19,336,178	20,325,453	989,275
Expenditures				
Instruction				
Basic programs	10,085,577	10,357,591	9,995,797	(361,794)
Added needs	2,417,879	2,295,718	2,108,529	(187,189)
Supporting services				
Pupil	1,392,365	1,350,415	1,323,680	(26,735)
Instructional staff	487,239	638,893	562,297	(76,596)
General administration	600,315	617,910	482,916	(134,994)
School administration	1,320,915	1,313,660	1,257,233	(56,427)
Business	369,835	420,395	408,636	(11,759)
Operations and maintenance	1,903,830	1,975,885	1,777,566	(198,319)
Pupil transportation services	827,630	843,525	739,743	(103,782)
Central	392,340	446,395	431,943	(14,452)
Athletic activities	614,085	640,960	563,947	(77,013)
Other	17,500	10,500	4,717	(5,783)
Community services	22,800	19,580	3,272	(16,308)
Capital outlay	84,450	81,550	41,874	(39,676)
Debt service				
Principal	17,221	17,221	17,221	-
Interest and other expenditures	5,412	5,412	5,412	-
Total expenditures	20,559,393	21,035,610	19,724,783	(1,310,827)
Excess (deficiency) of revenues over expenditures	(519,611)	(1,699,432)	600,670	2,300,102
Other Financing Uses				
Transfers out	-	(59,769)	(62,451)	(2,682)
Net change in fund balance	(519,611)	(1,759,201)	538,219	2,297,420
Fund balance - beginning	3,922,668	3,922,668	3,922,668	-
Fund balance - ending	\$ 3,403,057	\$ 2,163,467	\$ 4,460,887	\$ 2,297,420

Grosse Ile Township Schools
Required Supplementary Information
Schedule of the School District's Proportionate Share of the Net Pension Liability
Michigan Public School Employees Retirement Plan
Last 10 Fiscal Years (Measurement Date September 30th, of Each June Fiscal Year)

	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
A. School District's proportion of net pension liability (%)	0.12040%	0.12070%	0.12120%	0.12468%	0.12975%	0.13019%				
B. School District's proportionate share of net pension liability	<u>\$ 39,865,610</u>	<u>\$ 36,269,745</u>	<u>\$ 31,416,222</u>	<u>\$ 31,107,164</u>	<u>\$ 31,692,884</u>	<u>\$ 28,677,053</u>				
C. School District's covered - employee payroll	<u>\$ 10,507,241</u>	<u>\$ 10,227,001</u>	<u>\$ 10,083,432</u>	<u>\$ 10,291,427</u>	<u>\$ 10,794,636</u>	<u>\$ 11,098,624</u>				
D. School District's proportionate share of net pension liability as a percentage of its covered - employee payroll	379.41%	354.65%	311.56%	302.26%	293.60%	258.38%				
E. Plan fiduciary net position as a percentage of total pension liability	60.31%	62.36%	64.21%	63.27%	63.17%	66.20%				

Note Disclosures

Changes of benefit terms: There were no changes of benefit terms in plan fiscal year 2019.

Changes of benefit assumptions: There were no changes of benefit assumptions in plan fiscal year 2019.

Grosse Ile Township Schools
Required Supplementary Information
Schedule of the School District's Pension Contributions
Michigan Public School Employees Retirement Plan
Last 10 Fiscal Years

	For the Years Ended June 30,									
	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
A. Statutorily required contributions	\$3,343,291	\$ 3,197,201	\$ 3,041,860	\$ 2,799,801	\$ 2,503,158	\$ 2,021,981				
B. Contributions in relation to statutorily required contributions	<u>3,343,291</u>	<u>3,197,201</u>	<u>3,041,860</u>	<u>2,799,801</u>	<u>2,503,158</u>	<u>2,021,981</u>				
C. Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>				
D. School District's covered - employee payroll	10,780,086	10,464,184	10,138,287	10,155,143	10,557,312	10,936,406				
E. Contributions as a percentage of covered-employee payroll	31.01%	30.55%	30.00%	27.57%	23.71%	18.49%				

Grosse Ile Township Schools
Required Supplementary Information
Schedule of the School District's Proportionate Share of the Net OPEB Liability
Michigan Public School Employees Retirement Plan
Last 10 Fiscal Years (Measurement Date September 30th, of Each June Fiscal Year)

	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
A. School District's proportion of the net OPEB liability (%)	0.12040%	0.12030%	0.12120%							
B. School District's proportionate share of the net OPEB liability	<u>\$ 8,638,698</u>	<u>\$ 9,560,504</u>	<u>\$ 10,730,178</u>							
C. School District's covered - employee payroll	<u>\$ 10,507,241</u>	<u>\$ 10,227,001</u>	<u>\$ 10,083,432</u>							
D. School District's proportionate share of the net OPEB liability as a percentage of its covered - employee payroll	82.22%	93.48%	106.41%							
E. Plan fiduciary net position as a percentage of total OPEB liability	48.46%	42.95%	36.39%							

Note Disclosures

Changes of benefit terms: There were no changes of benefit terms in plan fiscal year 2019.

Changes of benefit assumptions: There were no changes of benefit assumptions in plan fiscal year 2019.

Grosse Ile Township Schools
Required Supplementary Information
Schedule of the School District's OPEB Contributions
Michigan Public School Employees Retirement Plan
Last 10 Fiscal Years

	For the Years Ended June 30,									
	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
A. Statutorily required contributions	\$ 864,499	\$ 825,461	\$ 757,499							
B. Contributions in relation to statutorily required contributions	<u>864,499</u>	<u>825,461</u>	<u>757,499</u>							
C. Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>							
D. School District's covered - employee payroll	10,780,086	10,464,184	10,138,287							
E. Contributions as a percentage of covered-employee payroll	8.02%	7.89%	7.47%							

OTHER SUPPLEMENTARY INFORMATION

Grosse Ile Township Schools
Other Supplementary Information
Nonmajor Governmental Funds
Combining Balance Sheet
June 30, 2020

	Special Revenue Fund	Capital Projects Funds		Total
	Cafeteria	Sinking Fund	Capital Projects Fund	Nonmajor Governmental Funds
Assets				
Cash	\$ 6,295	\$ -	\$ 142,749	\$ 149,044
Investments	-	99,006	-	99,006
Accounts receivable	5,356	-	-	5,356
Due from other funds	40,381	15,999	12,338	68,718
Inventory	10,423	-	-	10,423
Total assets	<u>\$ 62,455</u>	<u>\$ 115,005</u>	<u>\$ 155,087</u>	<u>\$ 332,547</u>
Liabilities				
Accounts payable	\$ 4,197	\$ 2,653	\$ -	\$ 6,850
Unearned revenue	42,834	-	-	42,834
Total liabilities	<u>47,031</u>	<u>2,653</u>	<u>-</u>	<u>49,684</u>
Fund Balance				
Non-spendable				
Inventory	10,423	-	-	10,423
Restricted for				
Food service	5,001	-	-	5,001
Capital projects	-	112,352	155,087	267,439
Total fund balance	<u>15,424</u>	<u>112,352</u>	<u>155,087</u>	<u>282,863</u>
Total liabilities and fund balance	<u>\$ 62,455</u>	<u>\$ 115,005</u>	<u>\$ 155,087</u>	<u>\$ 332,547</u>

Grosse Ile Township Schools
Other Supplementary Information
Nonmajor Governmental Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended June 30, 2020

	Special Revenue Fund	Capital Projects Fund		Total
	Cafeteria	Sinking Fund	Capital Projects Fund	Nonmajor Governmental Funds
Revenues				
Local sources	\$ 307,455	\$ 467,089	\$ 10,831	\$ 785,375
State sources	42,461	-	-	42,461
Federal sources	118,386	-	-	118,386
Total revenues	<u>468,302</u>	<u>467,089</u>	<u>10,831</u>	<u>946,222</u>
Expenditures				
Current				
Food services	570,358	-	-	570,358
Facilities acquisition	-	677,133	1,365,113	2,042,246
Total expenditures	<u>570,358</u>	<u>677,133</u>	<u>1,365,113</u>	<u>2,612,604</u>
Excess (deficiency) of revenues over expenditures	(102,056)	(210,044)	(1,354,282)	(1,666,382)
Other Financing Sources (Uses)				
Transfers in	62,451	-	-	62,451
Net change in fund balance	(39,605)	(210,044)	(1,354,282)	(1,603,931)
Fund balance - beginning	55,029	322,396	1,509,369	1,886,794
Fund balance - ending	<u>\$ 15,424</u>	<u>\$ 112,352</u>	<u>\$ 155,087</u>	<u>\$ 282,863</u>

Grosse Ile Township Schools
Other Supplementary Information
General Fund
Schedule of Revenues Compared to Budget
For the Year Ended June 30, 2020

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Over (Under) Final Budget</u>
Revenues from local sources				
Property tax levy	\$ 2,196,500	\$ 2,230,000	\$ 2,182,972	\$ (47,028)
Tuition	17,000	17,000	16,350	(650)
Transportation fees	44,000	8,900	11,891	2,991
Earnings on investments	50,000	86,000	82,528	(3,472)
Athletics	207,400	147,150	133,677	(13,473)
Other local revenues	<u>145,000</u>	<u>111,800</u>	<u>120,701</u>	<u>8,901</u>
Total revenues from local sources	<u>2,659,900</u>	<u>2,600,850</u>	<u>2,548,119</u>	<u>(52,731)</u>
Revenues from state sources				
Grants - unrestricted	13,425,000	12,371,400	13,245,634	874,234
Grants - restricted	<u>2,199,425</u>	<u>2,388,255</u>	<u>2,424,389</u>	<u>36,134</u>
Total revenues from state sources	<u>15,624,425</u>	<u>14,759,655</u>	<u>15,670,023</u>	<u>910,368</u>
Revenues from federal sources				
Grants	<u>522,807</u>	<u>568,823</u>	<u>529,634</u>	<u>(39,189)</u>
Interdistrict sources				
ISD collected millage	617,750	666,950	771,873	104,923
Cooperative education	<u>614,900</u>	<u>739,900</u>	<u>805,804</u>	<u>65,904</u>
Total interdistrict sources	<u>1,232,650</u>	<u>1,406,850</u>	<u>1,577,677</u>	<u>170,827</u>
Total revenue and other financing sources	<u>\$ 20,039,782</u>	<u>\$ 19,336,178</u>	<u>\$ 20,325,453</u>	<u>\$ 989,275</u>

Grosse Ile Township Schools
Other Supplementary Information
General Fund
Schedule of Expenditures Compared to Budget
For the Year Ended June 30, 2020

	Original Budget	Final Budget	Actual	Over (Under) Final Budget
Basic program - elementary				
Salaries	\$ 2,710,600	\$ 2,764,250	\$ 2,760,573	\$ (3,677)
Employee benefits	1,780,280	1,941,580	1,761,178	(180,402)
Purchased services	57,050	47,350	48,022	672
Supplies and materials	63,300	65,950	56,583	(9,367)
Other	300	600	600	-
Total elementary	<u>4,611,530</u>	<u>4,819,730</u>	<u>4,626,956</u>	<u>(192,774)</u>
Basic program - middle school				
Salaries	1,349,000	1,409,500	1,408,063	(1,437)
Employee benefits	882,360	913,470	848,574	(64,896)
Purchased services	35,467	36,867	32,820	(4,047)
Supplies and materials	27,000	26,000	18,586	(7,414)
Other	1,600	1,600	1,385	(215)
Total middle school	<u>2,295,427</u>	<u>2,387,437</u>	<u>2,309,428</u>	<u>(78,009)</u>
Basic program - high school				
Salaries	1,815,000	1,801,900	1,802,895	995
Employee benefits	1,200,520	1,205,469	1,132,936	(72,533)
Purchased services	109,600	87,100	76,756	(10,344)
Supplies and materials	24,000	24,000	18,009	(5,991)
Other	1,400	1,400	5,085	3,685
Total high school	<u>3,150,520</u>	<u>3,119,869</u>	<u>3,035,681</u>	<u>(84,188)</u>
Basic program - pre-school				
Salaries	-	900	882	(18)
Employee benefits	-	450	400	(50)
Purchased services	-	20	13	(7)
Total pre-school	<u>-</u>	<u>1,370</u>	<u>1,295</u>	<u>(75)</u>
Basic program - summer school				
Salaries	12,000	12,000	8,693	(3,307)
Employee benefits	4,600	5,685	3,926	(1,759)
Purchased services	11,150	11,150	9,818	(1,332)
Supplies and materials	350	350	-	(350)
Total summer school	<u>28,100</u>	<u>29,185</u>	<u>22,437</u>	<u>(6,748)</u>
Added needs - special education				
Salaries	868,300	872,800	841,963	(30,837)
Employee benefits	644,860	594,496	527,734	(66,762)
Purchased services	17,960	27,635	18,520	(9,115)

Grosse Ile Township Schools
Other Supplementary Information
General Fund
Schedule of Expenditures Compared to Budget
For the Year Ended June 30, 2020

	Original Budget	Final Budget	Actual	Over (Under) Final Budget
Supplies and materials	10,630	10,530	3,873	(6,657)
Other	135,000	135,000	104,629	(30,371)
Total special education	<u>1,676,750</u>	<u>1,640,461</u>	<u>1,496,719</u>	<u>(143,742)</u>
Added needs - compensatory education				
Salaries	44,000	8,100	12,304	4,204
Employee benefits	25,735	4,110	5,781	1,671
Supplies and materials	2,797	10,000	7,585	(2,415)
Other	-	700	700	-
Total compensatory education	<u>72,532</u>	<u>22,910</u>	<u>26,370</u>	<u>3,460</u>
Added needs - career and technical education				
Salaries	231,100	212,450	213,540	1,090
Employee benefits	140,690	155,840	142,739	(13,101)
Purchased services	106,250	3,500	1,283	(2,217)
Supplies and materials	190,557	260,557	227,878	(32,679)
Total career and technical education	<u>668,597</u>	<u>632,347</u>	<u>585,440</u>	<u>(46,907)</u>
Pupil - guidance services				
Salaries	300,600	297,600	296,384	(1,216)
Employee benefits	229,490	214,820	198,500	(16,320)
Purchased services	6,400	4,850	1,734	(3,116)
Supplies and materials	1,750	3,450	2,625	(825)
Total guidance services	<u>538,240</u>	<u>520,720</u>	<u>499,243</u>	<u>(21,477)</u>
Pupil - health services				
Purchased services	9,975	10,675	9,282	(1,393)
Supplies and materials	1,300	1,300	11,038	9,738
Total health services	<u>11,275</u>	<u>11,975</u>	<u>20,320</u>	<u>8,345</u>
Pupil - psychological services				
Salaries	62,200	86,400	86,330	(70)
Employee benefits	50,210	46,900	44,655	(2,245)
Purchased services	2,300	2,050	79	(1,971)
Supplies and materials	600	600	38	(562)
Total psychological services	<u>115,310</u>	<u>135,950</u>	<u>131,102</u>	<u>(4,848)</u>
Pupil - speech services				
Salaries	194,000	194,000	194,658	658
Employee benefits	129,820	126,060	120,683	(5,377)
Supplies and materials	600	600	-	(600)
Total speech services	<u>324,420</u>	<u>320,660</u>	<u>315,341</u>	<u>(5,319)</u>

Grosse Ile Township Schools
Other Supplementary Information
General Fund
Schedule of Expenditures Compared to Budget
For the Year Ended June 30, 2020

	Original Budget	Final Budget	Actual	Over (Under) Final Budget
Pupil - social work services				
Salaries	127,400	125,000	124,944	(56)
Employee benefits	83,110	86,810	82,863	(3,947)
Purchased services	650	900	191	(709)
Supplies and materials	1,200	1,200	409	(791)
Total social work services	<u>212,360</u>	<u>213,910</u>	<u>208,407</u>	<u>(5,503)</u>
Pupil - other support services				
Salaries	114,500	79,300	80,629	1,329
Employee benefits	59,260	47,900	48,638	738
Purchased services	17,000	20,000	20,000	-
Total other support services	<u>190,760</u>	<u>147,200</u>	<u>149,267</u>	<u>2,067</u>
Instructional staff - improvement of education				
Salaries	136,143	165,861	163,834	(2,027)
Employee benefits	73,813	90,011	95,770	5,759
Purchased services	56,808	68,698	26,359	(42,339)
Supplies and materials	2,200	9,900	3,928	(5,972)
Other	400	400	348	(52)
Total improvement of education	<u>269,364</u>	<u>334,870</u>	<u>290,239</u>	<u>(44,631)</u>
Instructional staff - educational media services				
Salaries	142,000	148,000	145,278	(2,722)
Employee benefits	74,050	77,890	75,452	(2,438)
Purchased services	-	3,700	1,726	(1,974)
Supplies and materials	1,825	2,025	158	(1,867)
Other	-	57,600	49,444	(8,156)
Total educational media services	<u>217,875</u>	<u>289,215</u>	<u>272,058</u>	<u>(17,157)</u>
Instructional staff - supervision and direction of instructional staff				
Supplies and materials	-	14,808	-	(14,808)
General administration - board of education				
Purchased services	97,650	105,150	64,429	(40,721)
Supplies and materials	1,000	2,000	943	(1,057)
Other	9,300	9,300	9,494	194
Total board of education	<u>107,950</u>	<u>116,450</u>	<u>74,866</u>	<u>(41,584)</u>
General administration - executive administration				
Salaries	217,300	212,600	219,546	6,946
Employee benefits	134,515	124,260	125,461	1,201

Grosse Ile Township Schools
Other Supplementary Information
General Fund
Schedule of Expenditures Compared to Budget
For the Year Ended June 30, 2020

	Original Budget	Final Budget	Actual	Over (Under) Final Budget
Purchased services	10,500	24,100	24,938	838
Supplies and materials	115,050	130,000	30,881	(99,119)
Other	15,000	10,500	7,224	(3,276)
Total executive administration	<u>492,365</u>	<u>501,460</u>	<u>408,050</u>	<u>(93,410)</u>
School administration - office of the principal				
Salaries	732,600	755,850	747,176	(8,674)
Employee benefits	526,415	504,860	480,964	(23,896)
Purchased services	27,250	21,550	12,418	(9,132)
Supplies and materials	17,150	19,900	6,957	(12,943)
Other	17,500	11,500	9,718	(1,782)
Total office of the principal	<u>1,320,915</u>	<u>1,313,660</u>	<u>1,257,233</u>	<u>(56,427)</u>
Business - fiscal services				
Salaries	198,100	191,920	190,588	(1,332)
Employee benefits	87,685	120,325	114,587	(5,738)
Purchased services	10,500	6,300	3,834	(2,466)
Supplies and materials	5,250	5,250	3,505	(1,745)
Other	18,500	27,800	28,773	973
Total fiscal services	<u>320,035</u>	<u>351,595</u>	<u>341,287</u>	<u>(10,308)</u>
Business - other				
Purchased services	3,000	1,000	-	(1,000)
Other	46,800	67,800	67,349	(451)
Total other business	<u>49,800</u>	<u>68,800</u>	<u>67,349</u>	<u>(1,451)</u>
Operations and maintenance - operating building services				
Salaries	657,600	680,450	643,326	(37,124)
Employee benefits	459,730	491,385	455,807	(35,578)
Purchased services	143,450	148,900	131,255	(17,645)
Supplies and materials	632,100	654,800	536,580	(118,220)
Other	150	350	330	(20)
Total operating building services	<u>1,893,030</u>	<u>1,975,885</u>	<u>1,767,298</u>	<u>(208,587)</u>
Operations and maintenance - security services				
Supplies and materials	10,800	-	10,268	10,268
Pupil transportation services				
Salaries	435,700	417,060	387,976	(29,084)
Employee benefits	247,280	278,865	253,031	(25,834)
Purchased services	16,550	62,000	43,523	(18,477)
Supplies and materials	125,100	82,600	54,282	(28,318)

Grosse Ile Township Schools
Other Supplementary Information
General Fund
Schedule of Expenditures Compared to Budget
For the Year Ended June 30, 2020

	Original Budget	Final Budget	Actual	Over (Under) Final Budget
Other	3,000	3,000	931	(2,069)
Total transportation services	<u>827,630</u>	<u>843,525</u>	<u>739,743</u>	<u>(103,782)</u>
Central - staff/personnel services				
Salaries	54,375	55,100	56,740	1,640
Employee benefits	30,545	31,665	32,476	811
Purchased services	8,100	26,050	18,428	(7,622)
Supplies and materials	-	750	505	(245)
Other	-	200	113	(87)
Total staff/personnel services	<u>93,020</u>	<u>113,765</u>	<u>108,262</u>	<u>(5,503)</u>
Central - support services technology				
Salaries	67,500	73,890	74,889	999
Employee benefits	35,070	43,180	43,983	803
Purchased services	52,850	65,900	62,250	(3,650)
Supplies and materials	11,000	11,000	9,588	(1,412)
Other	11,000	15,000	15,730	730
Total support services technology	<u>177,420</u>	<u>208,970</u>	<u>206,440</u>	<u>(2,530)</u>
Central - pupil accounting				
Salaries	49,750	49,350	48,877	(473)
Employee benefits	26,750	28,560	28,339	(221)
Purchased services	45,000	45,350	39,940	(5,410)
Supplies and materials	300	300	-	(300)
Other	100	100	85	(15)
Total pupil accounting	<u>121,900</u>	<u>123,660</u>	<u>117,241</u>	<u>(6,419)</u>
Athletic activities				
Salaries	183,500	180,600	176,642	(3,958)
Employee benefits	112,885	111,310	104,954	(6,356)
Purchased services	250,700	240,200	218,772	(21,428)
Supplies and materials	14,500	49,500	37,329	(12,171)
Other	52,500	59,350	26,250	(33,100)
Total athletic activities	<u>614,085</u>	<u>640,960</u>	<u>563,947</u>	<u>(77,013)</u>
Other supporting services				
Purchased services	10,000	9,500	4,717	(4,783)
Supplies and materials	7,500	1,000	-	(1,000)
Total other supporting services	<u>17,500</u>	<u>10,500</u>	<u>4,717</u>	<u>(5,783)</u>

Grosse Ile Township Schools
Other Supplementary Information
General Fund
Schedule of Expenditures Compared to Budget
For the Year Ended June 30, 2020

	Original Budget	Final Budget	Actual	Over (Under) Final Budget
Community services - direction				
Salaries	4,550	2,225	2,225	-
Employee benefits	2,045	1,150	1,047	(103)
Supplies and materials	15,205	15,205	-	(15,205)
Total direction	<u>21,800</u>	<u>18,580</u>	<u>3,272</u>	<u>(15,308)</u>
Community services - community activities				
Purchased services	<u>1,000</u>	<u>1,000</u>	<u>-</u>	<u>(1,000)</u>
Capital outlay				
Basic program - elementary	4,250	1,400	445	(955)
Basic program - high school	40,000	40,000	9,254	(30,746)
Pupil - guidance services	50	50	-	(50)
General administration - executive administration	1,000	750	358	(392)
Business - fiscal services	1,000	750	277	(473)
Operations and maintenance - operating building services	30,000	30,000	28,557	(1,443)
Central - staff/personnel services	-	600	540	(60)
Central - support services technology	8,150	8,000	2,443	(5,557)
Total capital outlay	<u>84,450</u>	<u>81,550</u>	<u>41,874</u>	<u>(39,676)</u>
Debt service				
Principal	17,221	17,221	17,221	-
Interest and other expenditures	5,412	5,412	5,412	-
Total debt service	<u>22,633</u>	<u>22,633</u>	<u>22,633</u>	<u>-</u>
Other financing uses				
Transfers out	<u>-</u>	<u>59,769</u>	<u>62,451</u>	<u>2,682</u>
Total expenditures and other financing uses	<u>\$ 20,559,393</u>	<u>\$ 21,095,379</u>	<u>\$ 19,787,234</u>	<u>\$ (1,308,145)</u>

**Grosse Ile Township Schools
Other Supplementary Information
Schedule of Outstanding Bonded Indebtedness
June 30, 2020**

Year Ending June 30,	2015 Refunding Bonds	2016 Building and Site Bonds	2018 Refunding Bonds	Total
2021	\$ 600,000	\$ 415,000	\$ 1,160,000	\$ 2,175,000
2022	600,000	535,000	1,145,000	2,280,000
2023	600,000	1,515,000	-	2,115,000
2024	600,000	1,515,000	-	2,115,000
2025	600,000	1,515,000	-	2,115,000
2026	600,000	1,515,000	-	2,115,000
2027	605,000	1,515,000	-	2,120,000
2028	600,000	1,515,000	-	2,115,000
2029	600,000	-	-	600,000
2030	595,000	-	-	595,000
2031	595,000	-	-	595,000
2032	590,000	-	-	590,000
Total	<u>\$ 7,185,000</u>	<u>\$ 10,040,000</u>	<u>\$ 2,305,000</u>	<u>\$ 19,530,000</u>
Principal payments due the first day of	May	May	May	
Interest payments due the first day of	May and November	May and November	May and November	
Interest rate	0.149%-3.030%	2.000%-3.000%	4.000%-5.000%	
Original issue	<u>\$ 9,440,000</u>	<u>\$ 10,655,000</u>	<u>\$ 4,690,000</u>	

OTHER REPORTS



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Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*

Independent Auditors' Report

Management and the Board of Education
Grosse Ile Township Schools

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Grosse Ile Township Schools as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise Grosse Ile Township Schools' basic financial statements, and have issued our report thereon dated September 21, 2020.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Grosse Ile Township Schools' financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Yeo & Yeo, P.C.

Ann Arbor, MI
September 21, 2020



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September 21, 2020

Management and the Board of Education
Grosse Ile Township Schools
Grosse Ile, MI

We have completed our audit of the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Grosse Ile Township Schools as of and for the year ended June 30, 2020, and have issued our report dated September 21, 2020. Professional standards require that we provide you with information about our responsibilities under auditing standards generally accepted in the United States of America, *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our engagement letter dated June 11, 2020. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the School District are described in Note 1 of the financial statements. The School District has adopted the following Governmental Accounting Standards Board Statements effective July 1, 2019:

- Statement No. 90, *Majority Equity Interests* improves the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and improves the relevance of financial statement information for certain components.
- Statement No. 92, *Omnibus 2020* enhances comparability in accounting and financial reporting and improves the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics and includes specific provisions about the following: (1) The effective date of Statement No. 87, Leases, and Implementation Guide No. 2019-3, Leases, for interim financial reports (2) Reporting of intra-entity transfers of assets between a primary government employer and a component unit defined benefit pension plan or defined benefit other postemployment benefit (OPEB) plan. (3) The applicability of Statements No. 73, Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68, as amended, and No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans, as amended, to reporting assets accumulated for postemployment benefits. (4) The applicability of certain requirements of Statement No. 84, Fiduciary Activities, to postemployment benefit arrangements. (5) Measurement of liabilities (and assets, if any) related to asset retirement obligations (AROs) in a government acquisition. (6) Reporting by public entity risk pools for amounts that are recoverable from reinsurers or excess insurers. (7) Reference to nonrecurring fair value measurements of assets or liabilities in authoritative literature. (8) Terminology used to refer to derivative instruments.
- Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance* provides a temporary relief to governments and other stakeholders in light of the COVID-19 pandemic and provides a postponement of certain GASB Statements.

We noted no transactions entered into by the School District during the year where there is lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statement in the proper period.

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

- The useful lives of its capital assets. Useful lives are estimated based on the expected length of time during which the asset is able to deliver a given level of service.
- Net pension liability, and related deferred outflows of resources and deferred inflows of resources. The estimate is based on an actuarial report.
- Net OPEB liability, and related deferred outflows of resources and deferred inflows of resources. The estimate is based on an actuarial report.
- Incurred but not reported benefit claims are an estimate. The estimate is based on historical claims and information provided by the School District. There is no indication of possible management bias regarding this estimate

We evaluated the key factors and assumptions used to develop these estimates in determining that they are reasonable in relation to the financial statements taken as a whole and free from bias.

The financial statement disclosures are neutral, consistent, and clear

Accounting Standards and Regulatory Updates

Accounting Standards

The Governmental Accounting Standards Board has released additional Statements. Details regarding these Statements are described in Note 1 of the financial statements.

The School District is evaluating the impact the above pronouncements will have on its financial reporting.

Regulatory and Other Updates

FER Extended Time Notification

The 2019-20 Final Expenditure Report (FER) due date is November 29, 2020. This report should reconcile to the Single Audit Report and the LEA's financial records. LEAs should verify that the figures on the report are a true and accurate representation of expenditures for each project. LEAs experiencing extenuating circumstances will be allowed to request additional time for submission prior to November 21, 2020, to the Office of Educational Supports Financial Unit at OFSFinancial-Unit@michigan.gov. Extension time is available if needed, but will not exceed December 31, 2020. Your timely submission of these reports helps ensure carryover funds are available for program implementation for the current school year.

District Guide to School-Level Expenditure Reporting Under the Every Student Succeeds Act (ESSA)

The federal Every Student Succeeds Act (ESSA) contains a new requirement that all local public school districts (local education agencies and public school academies) publish actual per-pupil expenditures by individual school building. MDE has recently published a District Guide to School-Level Expenditure Reporting under the Every Student Succeeds Act to assist districts in communication planning around this data that was posted on the Michigan School Data website by or prior to June 30, 2020. This guide is intended to support district-level personnel communicating with principals, educators, community members, and media on the reporting requirement and school-level spending information. Districts are encouraged to continue to scrutinize reporting

results at the building level and use building codes when applicable to properly allocate expenses to avoid future questions resulting from this data being available to the public.

Financial Accounting Guidance During the COVID-19 Pandemic

Michigan Department of Education (MDE) has issued guidance about financial accounting for transactions related to the COVID19 pandemic, school closures, and implementation of a Continuity of Learning and COVID19 Response Plan. This guidance is updated regularly and can be found using this link:

https://www.michigan.gov/documents/mde/COVID-19_Accounting_Guidance_691616_7.pdf

FID Changes for 2020 and Beyond

Expenditure object code requirements submitted through the FID will be changing. The system currently allows for two-digit detail. This is being changed to require three digits. The 2019-20 submission will generate warnings for data that doesn't comply with the three-digit detail. Take note of the warnings in order to correct them prior to the 2020-21 submission. If the data is not in compliance for the 2021 submission, error codes will be generated. The goal of this change is to potentially reduce or streamline other program specific reporting. There will also be a new error check to ensure that any buildings that have an enrollment greater than zero should have expenditures reported.

ESSER and CARES Act Accounting

As LEAs are recognizing Elementary and Secondary School Emergency Relief (ESSER) funds in revenues and expenditures, a new account code should be used. The new major class code of 414 should be used with a suffix of 0250. Expenditures should be reported under the new grant code 796. Most function codes are allowable, but the grant guidance should be referred to when determining the allowable uses of funds. MDE's guidance on what the funds can be used for can be found in the guidance memo located at https://www.michigan.gov/documents/mde/ESSER_guidance_688430_7.pdf

Summer Food Service Program

The school year ended with many LEAs experiencing changes to their food service distribution programs. With those changes in mind, we would like to encourage districts to make sure they have all the documentation in place to have successful administrative reviews. All new SFSP sponsors will be subject to a review. The focus of the administrative reviews will be on menus, production records, daily meal count sheets, and monthly claims. Keep in mind that the Unanticipated School Closure Summer Food Service Program meals ended June 30, 2020. Subsequent to this date, claims will be related to the Summer Food Service Program.

Special Education Compliance Information

The excess cost requirement testing was being implemented for 2019-20 as a pilot test. This will be completed in fall of 2020. Due to the test being in the pilot phase, any districts that do not meet the requirement will be made aware for informational purposes only, and a formal violation will not be triggered at this time.

Maintenance of Effort includes a test for compliance and a test for eligibility. The compliance testing piece went live on March 17, 2020 for the 2019-20 period, it is anticipated that all 56 ISDs will meet compliance under at least one of the four methods to calculate. The 2020-21 eligibility testing went live on June 1, 2020. These tests are being conducted at the ISD level. It is important for all LEAs to verify they are submitting accurate information to the ISD in order to have accurate data in these calculations.

Starting in fiscal year 2021, the IDEA Flowthrough and Preschool funds will move from a 27-month grant application to 15-month grant application period. Any unspent funds will be carried over to the next grant award. Additionally, there will be no IFRs starting in fiscal year 2021. Final expenditure reports will be done in CMS and final district level expenditure reports will be done in MEGS+. Starting with fiscal year 2022, grant applications will be done in NexSys, the new grants management system. It will contain both grant applications and payments.

Difficulties Encountered in Performing the Audit

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

Corrected and Uncorrected Misstatements

Professional standards require that the auditor accumulate all known and likely misstatements identified during the audit, other than those the auditor believes to be trivial, and communicate them to the appropriate level of management. There were no known misstatements detected as a result of audit procedures that were more than trivial.

There were no known uncorrected misstatements that were more than trivial.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction that could be significant to the financial statements or the auditors' report. We are pleased to report we had no such disagreements with management during the audit.

Management Representations

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

Management's Consultations with Other Accountants

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

Other Audit Findings or Issues

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

Other Reports

Other information that is required to be reported to you is included in the: Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*. Please read all information included this report to ensure you are aware of relevant information.

Report on Required Supplementary Information

With respect to the required supplementary information accompanying the financial statements, which includes management's discussion and analysis, schedule of the school district's proportionate share of the net pension liability, schedule of the school district's pension contributions, schedule of the school district's proportionate share of the net OPEB liability, schedule of the school district's OPEB contributions, and budgetary comparison information, we 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 regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

Report on Other Supplementary Information

With respect to the other supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

We discussed these matters with various personnel in the School District during the audit and have already met with management. We would also be pleased to meet with you to discuss these matters at your convenience.

Restriction on Use

This information is intended solely for the information and use of management, the Board of Education, and others within the School District, and is not intended to be, and should not be, used by anyone other than these specified parties.

Yeo & Yeo, P.C.

Ann Arbor, Michigan