

ST. IGNACE AREA SCHOOLS

REPORT ON FINANCIAL STATEMENTS
(with required and additional information)

JUNE 30, 2020



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INDEPENDENT AUDITORS' REPORT

Board of Education
St. Ignace Area Schools
St. Ignace, 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 St. Ignace Area Schools, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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 Saint Ignace Area Schools, as of June 30, 2020, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and pension and OPEB schedules on pages 3–9 and 38-41 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 St. Ignace Area School's basic financial statements. The combining and individual non-major fund financial statements, and the schedules of bond debt service requirements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual non-major fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual non-major fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The schedules of bond debt service requirements sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 1, 2020, on our consideration of St. Ignace Area School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering St. Ignace Area School's internal control over financial reporting and compliance.

Traverse City, Michigan
October 1, 2020

**ST. IGNACE AREA SCHOOLS
MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2020**

This section of the St. Ignace Area Schools annual financial report presents our discussion and analysis of the District’s financial performance during the fiscal year that ended on June 30, 2020. Please read it in conjunction with the School District’s financial statements, which immediately follow this section.

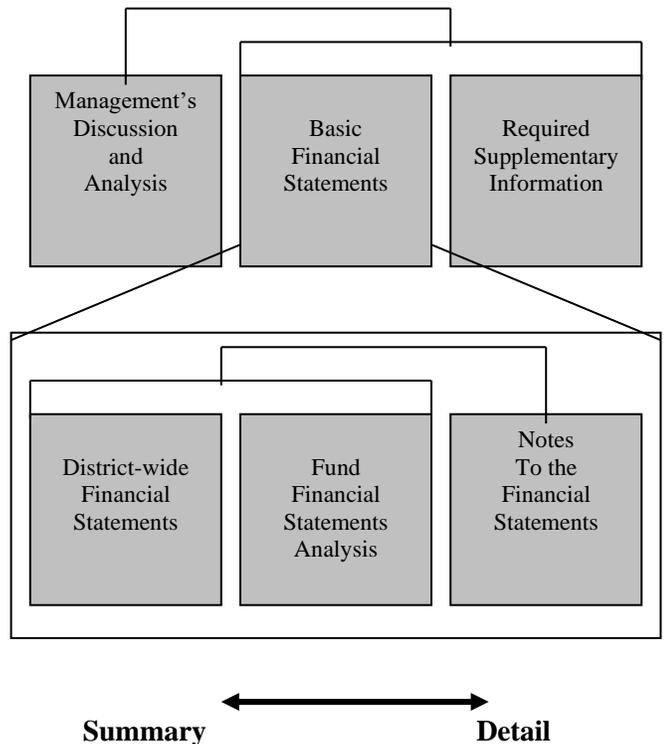
Financial Highlights

- The District’s financial status improved this year. Total net position increased by 3.17% to \$(3,646,569) compared to \$(3,766,189) last year.
- During the year, the District’s expenditures of the Governmental Funds were \$753,280 greater than its \$7.22 million in revenue.
- At the end of the fiscal year, the fund balance in the General Fund was \$1,388,798 or 24.48% of the total general fund expenditures, an increase of \$412,751 compared to the prior year.

Overview of the Financial Statements

This annual report consists of three parts: management’s discussion and analysis (this section), the basic financial statements, and required supplementary information. The basic financial statements include two kinds of statements that present different views of the district.

**Figure A-1
Required Components of
The District’s Annual Financial Report**



- The first two statements are district-wide financial statements that provide both long-term and short-term information about the District’s overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the District, reporting the District’s operations in more detail than the government-wide statements.
 - The governmental funds statements tell how basic services like regular and special education were financed in the short-term as well as what remains for future spending.
 - Fiduciary fund statements provide information about the financial relationships in which the District acts solely as a trustee or agent for the benefit of others.

**ST. IGNACE AREA SCHOOLS
MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2020**

OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of required supplemental information that further explains and supports the financial statements with a comparison of the district’s budget for the years. Figure A-1 shows how the required parts of this annual report are arranged and relate to one another.

Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the district’s activities they cover and the types of information they contain. The remainder of this overview section of management’s discussion and analysis explains the structure and contents of each of the statements.

Figure A-2 Major Features of the District-Wide and Fund Financial Statements			
	District-Wide Statements	Fund Statements	
		Governmental Funds	Fiduciary Funds
Scope	Entire District (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance	Instances in which the district is the trustee or agent for someone else’s resources such as student activities monies
Required Financial Information	<ul style="list-style-type: none"> • Statement of net position • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures, and changes in fund balances 	<ul style="list-style-type: none"> • Statement of fiduciary net position • Statement of changes in fiduciary net position
Accounting Basis and Measurement Focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus
Type of Asset Liability Information	All assets and liabilities, both financial and capital, and short- term and long- term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included	All assets and liabilities, both short-term and long- term; funds do not currently contain capital assets, although they can
Type of Inflow/Outflow Information	All revenues and expenses during year, regardless of when cash is received or paid.	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due and payable	All revenues and expenses during year regardless of when cash is received or paid.

**ST. IGNACE AREA SCHOOLS
MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2020**

District-wide Statements

The district-wide statements report information about the District as a whole using accounting methods similar to those used by private sector companies. The statement of net position includes all of the District’s assets and liabilities. All of the current year’s revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

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

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

The government-wide financial statements of the District are:

- Governmental activities – Most of the District’s basic services are included here, such as regular and special education, transportation and administration. Property taxes and state aid finance most of these activities.

Fund Financial Statements

The fund financial statements provide more detailed information about the District’s funds, focusing on its most significant or “major” funds: not the district as a whole. Funds are accounting devices that the District uses to keep track of specific sources of funding and spending on particular programs:

- Some funds are required by state law and by bond covenants.
- The District establishes other funds to control and manage money for particular purposes (such as repaying its long-term debts) or to show that it is properly using certain revenues.

The District has two kinds of funds:

- Governmental funds – Most of the District’s basic services are included in governmental funds, which focus on (1) how much cash and other financial assets that can readily be converted to cash flow in and out and (2) The balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District’s programs. Because this information does not encompass the additional long-term focus of the government-wide statements, this report includes reconciliation schedules that explain the relationship (or differences) between the District-wide Statements and the Fund financial Statements.
- Fiduciary funds – The District is trustee, or fiduciary, for assets that belong to others, such as student activities and scholarship funds. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong.

**ST. IGNACE AREA SCHOOLS
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2020**

Financial Analysis of the District as a Whole

Net Position. The District's net position was higher on June 30, 2020 than it was the year before, increasing by 3.17% to \$(3,646,569). Figure A-3 illustrates the valuation of net position on June 30, 2020 and 2019.

Figure A-3

Condensed Statement of Net Position

	<u>2020</u>	<u>2019</u>
Assets		
Current	\$ 3,356,570	\$ 4,200,390
Non-current	<u>6,102,367</u>	<u>6,407,532</u>
Total assets	<u>9,458,937</u>	<u>10,607,922</u>
Deferred Outflows of Resources	<u>3,055,763</u>	<u>3,188,572</u>
Liabilities		
Current	1,188,821	2,480,731
Non-Current	<u>13,164,575</u>	<u>13,504,723</u>
Total liabilities	<u>14,353,396</u>	<u>15,985,454</u>
Deferred Inflows of Resources	<u>1,807,873</u>	<u>1,577,229</u>
Net Position		
Invested in capital assets, net of related debt	4,101,332	2,905,704
Restricted	1,181,211	2,348,532
Unassigned	<u>(8,929,112)</u>	<u>(9,020,425)</u>
Total net position	<u>\$ (3,646,569)</u>	<u>\$ (3,766,189)</u>

**ST. IGNACE AREA SCHOOLS
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2020**

Figure A-4

Results of Operations:

	2020	2019
Revenues:		
Program revenue:		
Charges for services	\$ 167,279	\$ 216,387
Operating grants and contributions	1,145,351	896,818
General revenue		
Property taxes	1,854,648	2,027,829
Unrestricted state aid	3,060,118	3,066,264
Interest and investment earnings	39,080	33,607
Other general revenues	949,043	922,351
Total revenues	7,215,519	7,163,256
Expenditures:		
Instruction	4,233,717	3,825,176
Support Services	2,447,160	2,479,991
Food service	246,515	236,208
Athletics	132,358	159,582
Interest on long-term debt	1,428	13,022
Depreciation (unallocated)	34,721	33,295
Total expenditures	7,095,899	6,747,274
CHANGE IN NET POSITION	\$ 119,620	\$ 415,982

The District's financial position is the product of many factors:

- Per pupil funding increased from a \$7,871 foundation allowance in 2018-19 to a \$8,111 foundation allowance in 2019-20.
- There was no need for cash flow borrowing
- Student count decreased to 515 full time equivalent students from 522. A three-year blended average was then used in the calculation of state aid received by the district.
- Net Pension Liability increased by \$350,577 during the year

**ST. IGNACE AREA SCHOOLS
MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2020**

Financial Analysis of the District’s Funds

As the District completed the year its governmental funds reported combined fund balances of \$2,571,299 compared to \$3,324,579 in the prior year.

General Fund Budgetary Highlights

Over the course of the year, the District revised the annual operating budget three times. The budget amendments were for final state aid approved legislation, student enrollment, staffing changes, and increased federal revenue.

At the end of the year, actual expenditures were \$5,673,137 compared to \$5,965,749 budgeted, which represents a favorable budget variance of \$292,612.

Actual revenues were \$6,102,160 compared to \$6,060,769 budgeted, which represents an unfavorable budget variance of \$41,391.

Capital Asset and Debt Administration

Capital Assets:

By the end of 2020, the District had invested approximately \$15,068,673 in a broad range of capital assets, including school buildings, athletic facility improvements, software, busses, technology, and electronic surveillance equipment.

	<u>Beginning of year</u>	<u>Additions</u>	<u>Disposals</u>	<u>End of year</u>
Land	\$ 505,049	\$	\$	\$ 505,049
Buildings and improvements	12,496,197			12,496,197
Site improvements	468,956	42,341		511,297
Vehicles	633,662			633,662
Furniture and equipment	922,468			922,468
 Total capital assets	 15,026,332	 42,341		 15,068,673
Less accumulated depreciation:	<u>8,618,800</u>	<u>347,506</u>		<u>8,966,306</u>
 Net capital assets	 <u>\$ 6,407,532</u>	 <u>\$ (305,165)</u>	 <u>\$</u>	 <u>\$ 6,102,367</u>

Current additions include the purchase of high school scoreboards and a fence for the track field.

**ST. IGNACE AREA SCHOOLS
MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2020**

Long Term Debt:

Total long-term debt at June 30, 2020 was \$1,997,533. Below is the debt activity for the year:

	<u>Beginning of year</u>	<u>Additions</u>	<u>Decreases</u>	<u>End of year</u>
Bonds and installment agreements	\$ 2,844,236	\$	\$ 1,617,342	\$ 1,226,894
Other liabilities				
Compensated absences	<u>646,274</u>	<u>124,365</u>		<u>770,639</u>
Total long-term liabilities	<u>\$ 3,490,510</u>	<u>\$ 124,365</u>	<u>\$ 1,617,342</u>	<u>\$ 1,997,533</u>

Factors Bearing on the District’s Future

The following factors have been considered in preparing the budget for the 2020/2021 school year:

- Contractual obligations pursuant to the master agreements with the teachers association and the support staff association.
- Declining enrollment is projected again, district wide.
- Health insurance costs in compliance with PA152.
- Retirement costs at the same rate as the previous year.
- \$150 addition to the state aid foundation allowance.
- Same number of full time employee positions.
- Future termination pay obligations.

Contacting the District’s Financial Management

This financial report is designed to provide the District’s citizens, taxpayers, customers, and investors and creditors with a general overview of the district’s finances and to demonstrate the district’s accountability for the money it receives. If you have questions about this report or need additional financial information, contact St. Ignace Area Schools Business Office, W429 Portage Street, St. Ignace, MI 49781.

**ST. IGNACE AREA SCHOOLS
STATEMENT OF NET POSITION
JUNE 30, 2020**

ASSETS

Cash	\$	2,563,514
Other receivables		16,396
Due from other governmental units		727,298
Inventory		1,290
Prepaid items		<u>48,072</u>
Total current assets		<u>3,356,570</u>
Capital assets net of accumulated depreciation		<u>6,102,367</u>
Total noncurrent assets		<u>6,102,367</u>
Total assets		<u>9,458,937</u>

DEFERRED OUTFLOWS OF RESOURCES

Refunding deferral		3,502
Deferred outflows related to OPEB		574,344
Deferred outflows related to pensions		<u>2,477,917</u>
Total deferred outflows		<u>3,055,763</u>

LIABILITIES

Accounts payable		142,329
Accrued expenses		278,179
Salaries payable		362,871
Unearned revenue		3,442
Current portion of long term debt		<u>402,000</u>
Current liabilities		<u>1,188,821</u>
Noncurrent portion of long-term debt and liabilities		1,599,035
Net OPEB liability		1,997,421
Net pension liability		<u>9,568,119</u>
Total noncurrent liabilities		<u>13,164,575</u>
Total liabilities		<u>14,353,396</u>

DEFERRED INFLOWS OF RESOURCES

Deferred inflows related to OPEB		990,084
Deferred inflows related to pensions		<u>817,789</u>
Total deferred inflows		<u>1,807,873</u>

NET POSITION

Invested in capital assets, net of related debt		4,101,332
Restricted		1,181,211
Unassigned		<u>(8,929,112)</u>
Total Net Position	\$	<u><u>(3,646,569)</u></u>

See notes to financial statements.

**ST. IGNACE AREA SCHOOLS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2020**

Functions/Programs	Expenses	Program Revenues		Net (expenses) And changes in Net position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
				Total
Governmental activities:				
Instruction	\$ 4,233,717	\$	\$ 797,100	\$ (3,493,605)
Supporting services	2,447,160	69,125	112,385	(2,265,650)
Food Service	246,515	30,930	235,866	20,281
Athletics	132,358	67,224		(65,134)
Interest/fees on long term debt	1,428			(1,428)
Depreciation (unallocated)	34,721			(34,721)
Total governmental activities	\$ 7,095,899	\$ 167,279	\$ 1,145,351	\$ (5,783,269)
General revenues:				
Property taxes, levied for general purposes				1,528,131
Property taxes, levies for debt services				326,517
Unrestricted state aid				3,060,118
Interest and investment earnings				39,080
Other				949,043
Total General revenues				5,902,889
CHANGES IN NET POSITION				119,620
Net position – beginning of year				(3,766,189)
Net position – end of year				\$ (3,646,569)

See notes to financial statements.

**ST. IGNACE AREA SCHOOLS
BALANCE SHEETS
GOVERNMENTAL FUNDS
JUNE 30, 2020**

	General	Sinking	Other Governmental Funds	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 1,386,391	\$ 736,553	\$ 440,570	\$ 2,563,514
Receivables:				
Accounts			16,396	16,396
Due from other funds			272	272
Due from other governmental units	727,298			727,298
Inventory			1,290	1,290
Prepaid expenses	48,072			48,072
	<u>\$ 2,161,761</u>	<u>\$ 736,553</u>	<u>\$ 458,528</u>	<u>\$ 3,356,842</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 141,345	\$	\$ 984	\$ 142,329
Due to other funds	272			272
Accrued expenses	273,376		3,253	276,629
Salaries payable	357,970		4,901	362,871
Deferred revenue			3,442	3,442
Total liabilities	<u>772,963</u>	<u></u>	<u>12,580</u>	<u>785,543</u>
Fund balances:				
Nonspendable	48,072		1,290	49,362
Restricted		736,553	444,658	1,181,211
Unassigned	1,340,726			1,340,726
Total fund balances	<u>1,388,798</u>	<u>736,553</u>	<u>445,948</u>	<u>2,571,299</u>
	<u>\$ 2,161,761</u>	<u>\$ 736,553</u>	<u>\$ 458,528</u>	<u>\$ 3,356,842</u>

See notes to financial statements.

**ST. IGNACE AREA SCHOOLS
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
WITH THE STATEMENT OF NET POSITION
JUNE 30, 2020**

Amounts reported for governmental activities in the statement of net position are different because:

Total Fund Balance - Governmental Funds **\$ 2,571,299**

Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds.

	The cost of capital assets is	15,068,673	
	Accumulated depreciation is	<u>(8,966,306)</u>	6,102,367

Long-term liabilities, including bonds payable and net pension liability, are not due and payable in the current period and therefore are not reported as liabilities in the funds.

Long-term liabilities at year end consist of:

	Net OPEB liability	(1,997,421)	
	Net pension liability	(9,568,119)	
	Bonds payable	(1,214,000)	
	Bond premium	(16,396)	
	Accrued interest payable	(1,550)	
	Compensated absences (vacations)	<u>(770,639)</u>	(13,568,125)

Deferred inflows and outflows are not reported in governmental funds:

	Deferred charge on bond refunding	3,502	
	Deferred outflows related to OPEB	574,344	
	Deferred outflows related to pensions	2,477,917	
	Deferred inflows related to OPEB	(990,084)	
	Deferred inflows related to pensions	<u>(817,789)</u>	<u>1,247,890</u>

Total net position - governmental activities **\$ (3,646,569)**

See notes to financial statements.

ST. IGNACE AREA SCHOOLS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2020

	General	Sinking	Other Governmental Funds	Total Governmental Funds
REVENUES:				
Property taxes	\$ 1,527,949	\$ 182	\$ 326,517	\$ 1,854,648
Other local sources	344,779	36,579	514,215	895,573
State sources	3,282,829		9,665	3,292,494
Federal sources	592,482		226,201	818,683
Non-educational sources	18,900			18,900
Other sources	335,221			335,221
Total revenues	6,102,160	36,761	1,076,598	7,215,519
EXPENDITURES:				
Instruction:				
Basic instruction	2,732,799			2,732,799
Added needs	747,361			747,361
Total Instruction	3,480,160			3,480,160
Support Services:				
Pupil services	269,423			269,423
Instructional staff	259,988			259,988
General Administration	179,257			179,257
School Administration	376,078			376,078
Business	87,451			87,451
Operations and Maintenance	480,366		18,577	498,943
Transportation	325,351			325,351
Other	2,705	1,800	2,717	7,222
Food service			246,515	246,515
Athletic activities	132,358			132,358
Capital outlay			485,758	485,758
Debt principal payments	80,000	1,204,845	317,000	1,601,845
Debt interest and other charges			18,450	18,450
Total support services	2,192,977	1,206,645	1,089,017	4,488,639
Total expenditures	5,673,137	1,206,645	1,089,017	7,968,799
Excess of Revenues Over (Under) Expenditures	429,023	(1,169,884)	(12,419)	(753,280)
OTHER FINANCING SOURCES (USES):				
Operating transfers in			16,272	16,272
Operating transfers out	(16,272)			(16,272)
Total other financing sources (uses)	(16,272)		16,272	
NET CHANGES IN FUND BALANCES	412,751	(1,169,884)	3,853	(753,280)
FUND BALANCE - beginning of year	976,047	1,906,437	442,095	3,324,579
FUND BALANCE - End of year	\$ 1,388,798	\$ 736,553	\$ 445,948	\$ 2,571,299

See notes to financial statements.

**ST. IGNACE AREA SCHOOLS
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE TO THE
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2020**

Total net change in fund balances - governmental funds **\$ (753,280)**

Amounts reported for governmental activities in the statement of activities are different because:

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, for governmental activities those costs are shown in the statement of net position and allocated over their estimated useful lives as annual depreciation expenses in the statement of activities.

This is the amount by which depreciation exceeds capital outlay expenditures in the period. (305,165)

Interest on long-term debt in the statement of activities differs from the amount recorded in the governmental funds because interest is recorded as an expenditure in the funds when it is due, and thus requires the use of current financial resources.

1,525

In the statement of activities, certain compensated absences (vacations) and special termination benefits are measured by amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by essentially the amounts actually paid. The amounts included in the statement of activities are:

Compensated absences (vacations) (124,365)

Repayment of bond principal is an expenditure in the governmental funds, but it reduces long-term liabilities in the statement of net position and does not affect the statement of activities.

Repayment of principle 1,601,845

The issuance of long-term debt provides current financial resources to governmental funds, but does not have any effect on net position. Also, governmental funds report the effect of premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. The adjustment to the statement of activities is as follows:

Amortization of bond discount/premium	23,313	
Deferred charge on refunding	<u>(7,816)</u>	15,497

The Governmental funds report pension expense based on the monthly payroll expense, whereas The net Pension Liability is not a use of current resources of governmental funds. The net Adjustment of the pension liability in the statement of activities is as follows:

Change in Net OPEB Liability and related deferred inflows and outflows	225,621	
Change in Net Pension Liability and related deferred inflows and outflows	<u>(542,058)</u>	<u>(316,437)</u>

Change in net position of governmental activities. **\$ 119,620**

See notes to financial statements.

**ST. IGNACE AREA SCHOOLS
STATEMENT OF FIDUCIARY NET POSITION
TRUST AND AGENCY FUNDS
JUNE 30, 2020 AND 2019**

	2020	2019
ASSETS		
Cash	\$ 232,839	\$ 208,550
LIABILITIES AND FUND BALANCES		
Liabilities:		
Accounts payable	\$ 232,839	\$ 208,550

See notes to financial statements.

**ST. IGNACE AREA SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

In evaluating how to define the District, for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in GAAP, currently GASB Statement #14, *The Financial Reporting Entity*.

Based on the application of these criteria, the general purpose financial statements of St. Ignace Area Schools contain all the funds and account groups controlled by the District's Board of Education as no other entity meets the criteria to be considered a blended component unit or a discretely presented component unit of the District nor is the District a component unit of another entity.

B. Government-wide and fund financial statements

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

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

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

C. Measurement Focus, Basis of Accounting and Basis of Presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

**ST. IGNACE AREA SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 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 are recorded only when a payment is due.

The district reports the following major governmental funds:

The *general fund* is the District's primary operating fund. It accounts for all financial resources of the district, except those required to be accounted for in another fund.

The *sinking fund* accounts for capital project activities within the district.

Additionally, the district reports the following fund types:

The *agency fund* is custodial in nature and does not present the results of operations or have a measurement focus. Agency funds are accounted for using the modified accrual basis of accounting. This fund is used to account for assets that the District holds for others in an agency capacity (primarily student activities).

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the government-wide financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

Property taxes, state foundation revenue, interest and charges for services are susceptible to accrual. Other receipts and taxes become measurable and available when cash is received by the District and are recognized as revenue at that time. State and federal revenues are recognized as follows:

State Foundation Revenue

The State of Michigan utilizes a foundation grant approach which provides for a specific annual amount of revenue per student based on a state-wide formula. The foundation is funded from state and local sources. Revenues from state sources are primarily governed by the School Aid Act and the School Code of Michigan. The Michigan Department of Education administers the allocation of state funds to school districts based on information supplied by the districts. For the year ended June 30, 2020 the foundation allowance was based on the pupil membership counts taken in February and October 2019.

**ST. IGNACE AREA SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The State portion of the foundation is provided primarily by a state education property tax millage of 6 mills and an allocated portion of state sales and other taxes. The local portion of the foundation is funded primarily by non-homestead property taxes, which may be levied at a rate of up to 18 mills. The state revenue is recognized during the foundation period and is funded through payments from October 2019 to August 2020. Thus, the unpaid portion at June 30th is reported as due from other governmental units. The local revenue is recognized as outlined in Note 1 D-3 Property Taxes.

Categorical

The District also receives revenue from the State to administer certain categorical education programs. State rules require that revenue earmarked for these programs be expended for its specific purpose. Categorical funds received which are not expended by the close of the fiscal year are recorded as deferred revenue.

Federal Revenue

Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met.

D. Assets, Liabilities and Equity

1. Cash and investments

The District reports its investments in accordance with GASB Statements No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools* and No. 40, *Deposits and Investment Risk Disclosures*. Under these standards, certain investments are valued at fair value as determined by quoted market prices, or by estimated fair values when quoted market prices are not available. The standards also provide that certain investments are valued at cost (or amortized cost) when they are of a short-term duration, the rate of return is fixed, such as certificates of deposit, and the district intends to hold the investment until maturity.

State statutes authorize the District to invest in bonds and other direct and certain indirect obligations of the U.S. Treasury; certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank, saving and loan association, or credit union, which is a member of the Federal Deposit Insurance Corporation, Federal Savings and Loan Insurance Corporation, or Nation Credit Union Administration, respectively; in commercial paper rated at the time of purchase within the three highest classifications established by not less than two standard rating services and which mature not more than 270 days after the date of purchase. The District is also authorized to invest in U.S. Government or federal agency obligation repurchase agreements, bankers' acceptances of U.S. banks, and mutual funds composed of investments as outlined above.

**ST. IGNACE AREA SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2. Short-term Interfund Receivables/Payables

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as “due from other funds” or “due to other funds” on the balance sheet.

3. Property Taxes

Property taxes levied by the District are collected by various municipalities and periodically remitted to the District. The taxes are levied as of December 1 and are due upon receipt of the billing by the taxpayer and become a lien on the first day of the levy year. The actual due date is February 14, after which time the bills become delinquent and penalties and interest may be assessed by the collecting entity. School District property tax revenues are recognized when levied to the extent that they result in current receivables (collected within sixty days after year end). Amounts received subsequent to August 31 are recognized as revenue when collected

For the year ended June 30, 2020, the District levied the following amounts per \$1,000 of taxable valuation:

Fund	Mills
General Fund:	
Non-Principle Residence Exemption (PRE)	18.000
Commercial personal property	6.000
Debt service funds:	
PRE, Non-PRE, Commercial Personal Property	2.300
Sinking Fund:	
PRE, Non-PRE, Commercial Personal Property	.9747

4. Inventories and Prepaid Items

Inventories are valued at the lower of cost (first-in, first-out) or market. Inventories in the special revenue funds consisting of expendable supplies held for consumption, are recorded as expenditures when consumed rather than when purchased. Inventories for commodities are recorded as revenue when utilized and are not included as a reservation of fund balance.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

5. Capital Assets

Capital assets, which include property, plant, equipment are reported in the government-wide financial statements. Capital assets are defined by the district as assets with an initial individual cost of more than \$5,000 and an estimated useful life of more than one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donations.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

**ST. IGNACE AREA SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment of the district is depreciated using the straight-line method over the following estimated useful lives:

Building and site improvements	20-50 yrs
Furniture, equipment and vehicles	5-15 yrs

6. Compensated Absences

Accumulated vacation and sick pay amounts which are expected to be liquidated with expendable available resources (generally sixty days) are recorded in the general fund while the remainder of the liability is recorded in the government-wide financial statements.

Accrued benefits include the following:

- For Teaching staff, upon retirement or termination after five or more years, accumulated sick leave up to a maximum of 65 days computed at the individuals step on the salary schedule will be paid by a deposit as a “non-elective” employer contributions under section 403(b)(3) of the IRS Cost to a tax deferred plan of the employee as established by the employee.
- For Support staff, same as above, except, for employees hired after July 1, 1984, upon termination or retirement after ten or more years, 50% of the accumulated sick leave, up to a maximum of 110 days (paid 55 days max).
- Terminal leave, benefit of \$200/per year of service after serving district as a member or administrator up to a maximum of 30 years.
- Retirement purchase, Teachers only, after 10 years of service the district will purchase retirement credit for employees who retire early after 25 years of service.

7. Use of Estimates

The process of preparing general purpose financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenditures. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

8. Long-term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net position.

For governmental fund types, bond premiums and discounts, as well as issuance costs, are recognized during the current period. Bond proceeds are reported as other financing sources net of applicable premium or discount. Issuance costs, even if withheld from the actual net proceeds received, are reported as debt service expenditures.

**ST. IGNACE AREA SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

9. Unemployment Insurance

The District reimburses the State of Michigan for the actual amount of unemployment benefits disbursed by the State on behalf of the District. Billings received for amounts paid by the State through June 30 are accrued.

10. Fund Balance

Fund balances are reported in the following classifications. *Nonspendable*, includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. *Restricted*, includes amounts that are restricted to specific purposes, or imposed by law through constitutional provisions or enabling legislation. *Committed*, are amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the Board of Education. *Assigned*, amounts are constrained by the Superintendent to be used for specific purposes, but are neither restricted nor committed. *Unassigned fund balance* is the residual classification for the general fund. It represents amounts that have not been restricted, committed or assigned to a specific purpose.

11. Pensions

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 (MPSERS) and additions to/deductions from MPSERS fiduciary net position have been determined on the same basis as they are reported by MPSERS. 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.

12. 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 (MPSERS) and additions to/deductions from MPSERS fiduciary net position have been determined on the same basis as they are reported by MPSERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

NOTE 2 – RECLASSIFICATION OF AMOUNTS

Certain amounts previously reported have been reclassified to conform to the 2019 presentation

**ST. IGNACE AREA SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 3 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgets are adopted on a basis consistent with generally accepted accounting principles. Annual appropriations budgets are adopted for the general, special revenue and debt service funds. All annual appropriations lapse at fiscal year end.

The District maintains a formalized encumbrance accounting system.

The District follows these procedures in establishing the budgetary data reflected in the financial statements:

1. The Superintendent submits to the School Board a proposed operating budget for the fiscal year commencing on July 1. The operating budget includes proposed expenditures and the means of financing them. The level of control for the budgets is at the functional level as set forth in the combined statement of revenues, expenditure and changes in fund balances – budget and actual – GAAP basis – general, special revenue and debt service funds.
2. Public hearings are conducted to obtain taxpayer comments.
3. Prior to July 1, the budget is legally adopted by the School Board resolution pursuant to the Uniform Budgeting and Accounting Act (P.A. 621 of 1978). The Act requires that the budget be amended prior to the end of the fiscal year when necessary to adjust appropriations if it appears that revenues and other financing sources will be less than anticipated or so that expenditures will not be in excess of original estimates. Expenditures shall not be made or incurred, unless authorized in the budget, or in excess of the amount appropriated. Any expenditures in violation of the Budgeting Act are disclosed as unfavorable variances on the combined statement of revenues, expenditures and changes in fund balance – budget and actual – GAAP basis – general, special revenue and debt service funds.
4. The Superintendent is authorized to transfer budgeted amounts between major expenditure functions within any fund; however, these transfers and any revisions that alter the total expenditures of any fund must be approved by the School Board.
5. Formal budgetary integration is employed as a management control device during the year for the general fund.
6. The budget as presented, has been amended. Supplemental appropriations were made during the year with the last one approved prior to June 30th.

B. Expenditures that exceeded appropriations are as follows:

Fund	Total Appropriations	Amount of Expenditures	Budget Variance
General Fund:			
Business	\$ 85,123	\$ 87,451	\$ 2,328

**ST. IGNACE AREA SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 4 – DEPOSITS, INVESTMENTS AND CREDIT RISK

Cash and cash equivalents are held separately in the name of the District by each of the District’s funds.

Deposits

At year-end, the carrying amount of the District’s deposits were \$2,796,352 and the bank balance was \$3,099,454, of which \$250,000 was covered by federal depository insurance and \$2,849,454 was uninsured and uncollateralized.

Interest Rate Risk – The district does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk - State statutes authorize the District to invest in bonds and other direct and certain indirect obligations of the U.S. Treasury; certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank, saving and loan association, or credit union, which is a member of the Federal Deposit Insurance Corporation, Federal Savings and Loan Insurance Corporation, or Nation Credit Union Administration, respectively; in commercial paper rated at the time of purchase within the three highest classifications established by not less than two standard rating services and which mature not more than 270 days after the date of purchase. The District is also authorized to invest in U.S. Government or federal agency obligation repurchase agreements, bankers’ acceptances of U.S. banks, and mutual funds composed of investments as outlined above. The district has no investment policy that would further limit its investment choices.

Concentration of Credit Risk – The district places no limit on the amount the district may invest in any one issuer.

A reconciliation of cash and cash equivalents as shown on the combined balance sheet follows:

Carrying amount of deposits	\$ 2,796,352
Cash and cash equivalents:	
Governmental activities	\$ 2,563,513
Fiduciary funds	<u>232,839</u>
Total	<u>\$ 2,796,352</u>

NOTE 5 – RECEIVABLES

Receivables at June 30, 2020 consist of the following:

Governmental units	\$ 727,298
Other	<u>16,396</u>
	<u>\$ 743,694</u>

Amounts due from governmental units include amounts due from federal, state and local sources for various projects and programs. Because of the District’s favorable collection experience, no allowance for doubtful accounts has been recorded.

**ST. IGNACE AREA SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 6 – DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

In addition to assets, the statement of financial position and or balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The School District has only one item that qualifies for reporting in this category. It relates to the District's net pension plan liability and is composed from the changes in assumptions, changes in proportion and differences between the District's contributions and proportionate share of contributions, and the District's contributions subsequent to the measurement date.

In addition to liabilities, the statement of financial position and or balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The School District has only one type of item, which arises from the District's net pension plan liability. It is composed of the District's share of the net difference between projected and actual earnings on pension plan investments.

NOTE 7 – LONG-TERM DEBT

At June 30, 2020, general obligation debts and other long-term obligations currently outstanding are as follows:

2016 Energy Improvement Bonds due in annual installments of 80,000 through August 1, 2031; non-interest bearing.	\$ 880,000
2013 Serial Refunding Bonds due in annual installments of \$305,000 to \$310,000 through May 1, 2021; interest at 3.00%.	310,000
2012 Athletic Facility Bonds due in annual installments of \$12,000 through May 1, 2022; interest at 3.99%.	<u>24,000</u>
Total bonded debt	1,214,000
Termination benefits	<u>770,639</u>
	<u><u>\$ 1,984,639</u></u>

Debt is generally liquidated by the respective debt service funds. 2016 Energy Improvement bond is liquidated by the general fund. 2012 Athletic Facility Bond is liquidated with building and site fund. Termination benefits, if any, are generally liquidated by the general fund.

**ST. IGNACE AREA SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 7 – LONG-TERM DEBT (continued)

The annual requirements to amortize long-term obligations outstanding as of June 30, 2020 including interest of \$10,737 are as follows:

Year ending June 30,	Principal	Interest	Total
2021	402,000	10,258	412,258
2022	92,000	479	92,479
2023	80,000	-	80,000
2024	80,000	-	80,000
2025	80,000	-	80,000
2026-2030	400,000	-	400,000
Thereafter	80,000	-	80,000
	1,214,000	10,737	1,224,737
Termination benefits	770,639	-	770,639
	<u>\$ 1,984,639</u>	<u>\$ 10,737</u>	<u>\$ 1,995,376</u>

At June 30, 2020, net position of \$791,026 in the debt service and sinking funds to service the general obligation debt.

The following is a summary of the changes in long-term liabilities for the year ended June 30, 2020:

	Beginning Balance	Additions	Reductions	Ending Balance	Due within one year
Bonds payable:					
General obligation bonds	\$ 2,815,845	\$	\$ (1,601,845)	\$ 1,214,000	\$ 402,000
Bond Premium	39,709		(23,313)	16,396	
Refunding deferral	(11,318)		7,816	(3,502)	
Total bonds payable	2,844,236		(1,617,342)	1,226,894	402,000
Other liabilities:					
Termination benefits	646,274	124,365		770,639	
Total long-term liabilities	<u>\$ 3,490,510</u>	<u>\$</u>	<u>\$ (1,617,342)</u>	<u>\$ 1,997,533</u>	<u>\$ 402,000</u>

**ST. IGNACE AREA SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 8 – DISCLOSURE OF INFORMATION ABOUT CAPITAL ASSETS

Capital asset balances and activity for the year ended June 30, 2020 were as follows:

	<u>Beginning of year</u>	<u>Additions</u>	<u>Retirements/ Reclassifications</u>	<u>End of year</u>
Governmental activities: Capital assets not being depreciated:				
Land and improvements	\$ 505,049	\$	\$	\$ 505,049
Capital assets, being depreciated				
Buildings and improvements	\$ 12,496,197	\$	\$	\$ 12,496,197
Site improvements	468,956	42,341		511,297
Vehicles	633,662	-		633,662
Furniture and equipment	922,468			922,468
Total historical cost	<u>\$ 14,521,283</u>	<u>42,341</u>	<u>\$</u>	<u>\$ 14,563,624</u>
Less accumulated depreciation:				
Buildings and improvements	\$ 7,114,860	\$ 278,626	\$	\$ 7,393,486
Site improvements	158,341	14,934		173,275
Vehicles	485,315	46,210		531,525
Furniture and equipment	860,284	7,736		868,020
Total accumulated depreciation	<u>\$ 8,618,800</u>	<u>\$ 347,506</u>	<u>\$</u>	<u>\$ 8,966,306</u>
Net capital assets being depreciated	<u>\$ 5,902,483</u>			<u>\$ 5,597,318</u>
Governmental activities capital assets, net	<u>\$ 6,407,532</u>			<u>\$ 6,102,367</u>

Depreciation expense was charged to governmental functions as follows:

Supporting Service	\$ 30
Instruction	305,805
Athletics	6,950
Unallocated	<u>34,721</u>
Total depreciation expense	<u>\$ 347,506</u>

**ST. IGNACE AREA SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 9 – GOVERNMENTAL FUND TYPE INTERFUND TRANSACTIONS

Interfund transfers for the year ended June 30, 2020 were as follows:

Fund Transferred Out	Fund Transferred In	Amount
General fund	Building and Site	\$ 6,000
General fund	Food Service	10,272
		<u>\$ 16,272</u>

Transfers to other funds provide additional funding for certain funds that expend more than they receive.

NOTE 10 – MICHIGAN PUBLIC SCHOOL EMPLOYEES’ RETIREMENT SYSTEM PENSION

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, re-codified and currently operating under the provisions of Public Act 300 of 1980, as amended. Section 25 of this act establishes the board's authority to promulgate or amend the provisions of the System. The board consists of twelve members - eleven appointed by the Governor and the State Superintendent of Instruction, who serves as an ex-officio member.

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

The System is administered by the Office of Retirement Services (ORS) within the Michigan Department of Technology, Management & Budget. The Department Director appoints the Office Director, with whom the general oversight of the System resides. The State Treasurer serves as the investment officer and custodian for the System. The System’s financial statements are available at www.michigan.gov/mpsers-cafr.

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

**ST. IGNACE AREA SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 10 – MICHIGAN PUBLIC SCHOOL EMPLOYEES’ RETIREMENT SYSTEM PENSION - continued

Contributions and Funded Status

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

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

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

<u>Benefit Structure</u>	<u>Member</u>	<u>Employer</u>
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

The School’s required and actual contributions to the plan for the year ended September 30, 2019 were \$767,532.

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

At June 30, 2020, the School reported a liability of **\$9,568,119** 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’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’s proportion was 0.0288 percent.

For the year ended June 30, 2020, the Reporting Unit recognized total pension expense of **\$1,234,060**. At June 30, 2020, the Reporting Unit reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

**ST. IGNACE AREA SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

**NOTE 10 – MICHIGAN PUBLIC SCHOOL EMPLOYEES’ RETIREMENT SYSTEM PENSION -
continued**

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 42,887	\$ 39,898
Changes of assumptions	1,873,444	-
Net difference between projected and actual earnings on pension plan investments	-	306,642
Changes in proportion and differences between Reporting Unit contributions and proportionate share of contributions	2,315	471,249
Reporting Unit contributions subsequent to the measurement date	559,271	-
Total	<u><u>\$ 2,477,917</u></u>	<u><u>\$ 817,789</u></u>

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, 2020. Other amounts as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

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

Plan Year Ended September 30	Amount:
2020	\$458,956
2021	\$356,495
2022	\$206,595
2023	\$79,502

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:

**ST. IGNACE AREA SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 10 – MICHIGAN PUBLIC SCHOOL EMPLOYEES’ RETIREMENT SYSTEM PENSION - continued

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 Plan 2:	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:	P-2014 Male and Female Employee Annuitant Mortality Tables, scaled 100% and adjusted for mortality improvements using projection scale MP-2017 from 2006.

Long-Term Expected Rate on Plan Assets

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

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
TOTAL	<u>100.0 %</u>	

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.

**ST. IGNACE AREA SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 10 – MICHIGAN PUBLIC SCHOOL EMPLOYEES’ RETIREMENT SYSTEM PENSION - continued

Discount Rate

A discount rate of 6.8% was used to measure the total pension liability (6.8% for the Pension Plus plan, 6.0% for the Pension Plus 2 plan provided through non-university employers only). This discount rate was based on the long term expected rate of return on pension plan investments of 6.8% (6.8% 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 Net Pension Liability to Changes in the Discount Rate

The following presents the School’s proportionate share of the net pension liability calculated using the discount rate of 8.0% (7.0% for the Hybrid Plan), as well as what the School’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage higher:

1% Decrease 5.8% / 5.8% / 5.0%	Current Single Discount Rate Assumption 6.8% / 6.8% / 6.0%	1% Increase 7.8% / 7.8% / 7.0%
<i>\$12,439,166</i>	<i>\$9,568,119</i>	<i>\$7,187,921</i>

NOTE 11 – MICHIGAN PUBLIC SCHOOL EMPLOYEES’ RETIREMENT SYSTEM 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, re-codified and currently operating under the provisions of Public Act 300 of 1980, as amended. Section 25 of this act establishes the board's authority to promulgate or amend the provisions of the System. The board consists of twelve members - eleven appointed by the Governor and the State Superintendent of Instruction, who serves as an ex-officio member. The System’s 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 at www.michigan.gov/orsschools.

**ST. IGNACE AREA SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

**NOTE 11 – MICHIGAN PUBLIC SCHOOL EMPLOYEES’ RETIREMENT SYSTEM OPEB -
continued**

Benefits Provided

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

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

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

Contributions and Funded Status

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, 2017 valuation will be amortized over a 21-year period ending September 30, 2038.

**ST. IGNACE AREA SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 11 – MICHIGAN PUBLIC SCHOOL EMPLOYEES’ RETIREMENT SYSTEM OPEB – continued

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

<u>Benefit Structure</u>	<u>Member</u>		<u>Employer</u>	
Premium Subsidy	3.0	%	7.93	%
Personal Healthcare Fund	0.0		7.57	

Required contributions to the OPEB plan from the Employer were \$191,069 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 reported a liability of **\$1,997,421** 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’s proportion of the net OPEB liability was determined by dividing each employers 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’s proportion was 0.0278 percent.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 732,910
Changes of assumptions	432,801	-
Net difference between projected and actual earnings on pension plan investments	-	34,736
Changes in proportion and differences between Reporting Unit contributions and proportionate share of contributions	72	222,438
Reporting Unit contributions subsequent to the measurement date	141,471	-
Total	\$ 574,344	\$ 990,084

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, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

**ST. IGNACE AREA SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

**NOTE 11 – MICHIGAN PUBLIC SCHOOL EMPLOYEES’ RETIREMENT SYSTEM OPEB –
continued**

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

Plan Year Ended	Amount:
September 30	
2020	(\$144,044)
2021	(\$144,044)
2022	(\$126,709)
2023	(\$93,265)
2024	(\$49,149)

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.

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

Long-Term Expected Rate 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:

**ST. IGNACE AREA SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

**NOTE 11 – MICHIGAN PUBLIC SCHOOL EMPLOYEES’ RETIREMENT SYSTEM OPEB –
continued**

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
TOTAL	100.0 %	

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 5.37%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Discount Rate

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

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

The following presents the District’s proportionate share of the net OPEB liability calculated using the discount rate of 6.95%, as well as what the School’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 Single Discount Rate Assumption 6.95%	1% Increase 7.95%
\$2,450,137	\$1,997,421	\$1,617,265

**ST. IGNACE AREA SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 11 – MICHIGAN PUBLIC SCHOOL EMPLOYEES’ RETIREMENT SYSTEM OPEB – continued

Health Care Cost Trend Rate

The following presents the net OPEB liability of the District, calculated using the current health care cost trend rate. It also reflects what the District’s net OPEB liability would be if it were calculated using a health care cost trend rate that is 1 percentage point lower or higher than the current rate:

1% Decrease 6.50%	Current Cost Trend Rate Assumption 7.50%	1% Increase 8.50%
<i>\$1,601,148</i>	<i>\$1,997,421</i>	<i>\$2,450,083</i>

NOTE 12 – RISK MANAGEMENT

The District is exposed to various risk of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees’ and natural disasters. The District participates in two distinct pools of educational institutions within the State of Michigan for self-insuring property and casualty and workers’ disability compensation. The pools are considered Public entity risk pools. The District pays annual premiums to each pool for the respective insurance coverage. In the event a pool’s total claims and expenses for one policy year exceed the total normal annual premiums for said years, all members of the specific pool’s policy year may be subject to special assessments to make up the deficiency. Each of the pools maintain reinsurance for claims in excess of \$500,000 for each occurrence with the overall maximum coverage being unlimited. The District has not been informed of any special assessments being required.

The District continues to carry commercial insurance for other risks of loss, including employee health and accident insurance.

NOTE 13 - NONMAJOR GOVERNMENTAL FUNDS

Special revenue funds account for revenue sources that are legally restricted to expenditure for specific purposes.

Food Service fund – This fund accounts for the Districts school lunch program.

Debt service funds account for the receipt of tax revenues to repay the principle and interest of outstanding debt

Capital project funds are used to purchase equipment and other long-term fixed assets within the district.

NOTE 14 – SUBSEQUENT EVENTS

Following the passing of Coronavirus Aid, Relief, and Economic Security (CARES) Act, which was signed into law on March 27, 2020, the U.S. Department of Treasury distributed Coronavirus Relief Fund (CRF) payments to the State of Michigan. During July and August 2020, the District received \$295,374 of these restricted CRF funds from the Michigan Department of Education. The CRF funds can only be used for eligible costs and are subject to certain Uniform Guidance and grant-specific reporting requirements.

REQUIRED SUPPLEMENTARY INFORMATION

**ST. IGNACE AREA SCHOOLS
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES – BUDGET AND ACTUAL – GAAP BASIS
YEAR ENDED JUNE 30, 2020**

	Budgeted Amounts		Actual	Variance with Final Budget- Favorable (unfavorable)
	Original	Final		
REVENUES				
Local sources	\$ 1,726,500	\$ 1,726,500	\$ 1,872,728	\$ 146,228
State sources	3,249,754	3,410,155	3,282,829	(127,326)
Federal sources	429,104	603,214	592,482	(10,732)
Non-educational sources	18,900	18,900	18,900	-
Other sources	229,000	302,000	335,221	33,221
Total revenues	5,653,258	6,060,769	6,102,160	41,391
EXPENDITURES:				
Instruction:				
Basic instruction	2,816,333	2,855,736	2,732,799	122,937
Added needs	759,065	767,427	747,361	20,066
Total Instruction	3,575,398	3,623,163	3,480,160	143,003
Support Services:				
Pupil services	283,090	271,084	269,423	1,661
Instructional staff	221,608	270,783	259,988	10,795
General Administration	251,307	188,912	179,257	9,655
School Administration	368,910	378,857	376,078	2,779
Business	85,123	85,123	87,451	(2,328)
Operations and Maintenance	553,313	544,542	480,366	64,176
Transportation	314,666	350,933	325,351	25,582
Debt Service	80,000	80,000	80,000	-
Athletics	161,652	161,652	132,358	29,294
Other	8,200	10,700	2,705	7,995
Total support services	2,327,869	2,342,586	2,192,977	149,609
Total expenditures	5,903,267	5,965,749	5,673,137	292,612
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(250,009)	95,020	429,023	334,003
OTHER FINANCING SOURCES (USES):				
Operating transfers out	(8,600)	(18,600)	(16,272)	2,328
Total other financing sources (uses)	(8,600)	(18,600)	(16,272)	2,328
NET CHANGES IN FUND BALANCES	\$ (258,609)	\$ 76,420	412,751	\$ 336,331
FUND BALANCES:				
Beginning of year			976,047	
End of year			\$ 1,388,798	

**ST. IGNACE AREA SCHOOLS
REQUIRED SUPPLEMENTARY INFORMATION**

Schedule of the Employer's Proportionate Share of the Net Pension Liability
Michigan Public School Employees Retirement Plan
Last 10 Fiscal Years (Amounts were determined 9/30 of each fiscal year)

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
A. Employer's proportion of net pension liability (%)	0.03387%	0.03217%	0.03153%	0.03117%	0.03066%	0.02889%
B. Employer's proportionate share of net pension liability	\$ 7,459,401	\$ 7,858,064	\$ 7,866,826	\$ 8,079,721	\$ 9,217,542	\$ 9,568,119
C. Employer's covered-employee payroll	\$ 2,865,804	\$ 2,660,013	\$ 2,697,711	\$ 2,594,641	\$ 2,551,745	\$ 2,424,709
D. Employer's proportionate share of net pension liability as a percentage of its covered-employee payroll (%)	260.28%	295.41%	291.61%	311.40%	361.22%	394.60%
E. Plan fiduciary net position as a percentage of total pension liability	66.20%	62.92%	63.01%	64.21%	62.36%	60.31%

Schedule of the Employer's Pension Contributions
Michigan Public School Employees Retirement Plan
Last 10 Reporting Unit Fiscal Years (July 1- June 30)

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
A. Statutorily required contributions	\$ 602,447	\$ 521,813	\$ 706,054	\$ 752,759	\$ 834,932	\$ 767,532
B. Contributions in relation to statutorily required contributions	\$ 602,447	\$ 521,813	\$ 706,054	\$ 752,759	\$ 834,932	\$ 767,532
C. Contribution deficiency (excess)	-	-	-	-	-	-
D. Reporting unit's covered-employee payroll	\$ 2,611,389	\$ 2,611,677	\$ 2,697,711	\$ 2,563,713	\$ 2,388,560	\$ 2,356,116
E. Contributions as a percentage of covered-employee payroll	23.07%	19.98%	26.17%	31.13%	34.95%	32.57%

**ST. IGNACE AREA SCHOOLS
REQUIRED SUPPLEMENTARY INFORMATION**

Schedule of the Reporting Unit's Proportionate Share of the Net OPEB Liability
Michigan Public School Employees Retirement Plan
Last 10 Fiscal Years (Amounts were determined as of 9/30 of each fiscal year)

	<u>2017</u>	<u>2018</u>	<u>2019</u>
A. Employer's proportion of net OPEB liability (%)	0.0310%	0.0300%	0.0278%
B. Employer's proportionate share of net OPEB liability	\$ 2,747,382	\$ 2,387,198	\$ 1,997,421
C. Employer's covered payroll	\$ 2,594,641	\$ 2,551,745	\$ 2,424,709
D. Employer's proportionate share of net OPEB liability as a percentage of covered payroll	105.88%	93.55%	82.37%
E. Plan fiduciary net position as a percentage of total OPEB liability	36.39%	42.95%	48.46%

Schedule of the Reporting Unit's OPEB Contributions
Michigan Public School Employees Retirement Plan
Last 10 Reporting Unit Fiscal Years (Amounts determined 6/30 of each year)

	<u>2018</u>	<u>2019</u>	<u>2020</u>
A. Statutorily required OPEB contributions	\$ 184,945	\$ 194,934	\$ 191,069
B. OPEB contributions in relation to statutorily required contributions	\$ 184,945	\$ 194,934	\$ 191,069
C. Contribution deficiency (excess)	-	-	-
D. Reporting unit's covered-employee payroll	\$ 2,563,713	\$ 2,388,560	\$ 2,356,116
E. OPEB contributions as a percentage of covered-employee payroll	7.21%	8.16%	8.10%

**ST. IGNACE AREA SCHOOLS
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**

NOTE 1 – BUDGETARY COMPARISON SCHEDULES

St. Ignace Area Schools is not legally required to present budgetary information for capital project funds. Accordingly, the budgetary comparison schedules for the Sinking fund is not required.

NOTE 2 - INFORMATION RELATED TO THE NET PENSION LIABILITY

Changes in benefits terms: There were no changes to benefit terms.

Changes of assumptions: There were no changes of benefit assumptions in the September 30, 2019 valuation.

NOTE 3 - INFORMATION RELATED TO THE NET OPEB LIABILITY

Changes in benefits terms: There were no changes to benefit terms.

Changes of assumptions: There were no changes of benefit assumptions in the September 30, 2019 valuation.

ADDITIONAL INFORMATION

**ST. IGNACE AREA SCHOOLS
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2020**

	Food Service	2013 Refunding	Building and Site	Nonmajor Governmental Funds
ASSETS:				
Cash	\$ 73,504	\$ 54,473	\$ 312,593	\$ 440,570
Investments				
Accounts receivable	16,396			16,396
Due from other funds	272			272
Inventory	1,290			1,290
Total assets	\$ 91,462	\$ 54,473	\$ 312,593	\$ 458,528
LIABILITIES:				
Accounts payable	\$ 984	\$	\$	\$ 984
Due to other funds				
Accrued expenses	3,253			3,253
Salaries payable	4,901			4,901
Deferred revenue	3,442			3,442
Total liabilities	12,580			12,580
FUND BALANCES:				
Nonspendable	1,290			1,290
Restricted	77,592	54,473	312,593	444,658
Total fund balances	78,882	54,473	312,593	445,948
Total liabilities and fund balance	\$ 91,462	\$ 54,473	\$ 312,593	\$ 458,528

ST. IGNACE AREA SCHOOLS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2020

	Food Service	2013 Refunding	Building and Site	Nonmajor Governmental Funds
REVENUES:				
Local sources:				
Property taxes	\$	\$ 326,517	\$	\$ 326,517
Lunch and milk sales	30,930			30,930
Admission and other			480,784	480,784
Interest		623	1,878	2,501
State sources	9,665			9,665
Federal sources	226,201			226,201
Total revenues	266,796	327,140	482,662	1,076,598
EXPENDITURES:				
Food service	246,515			246,515
Operations & maintenance			18,577	18,577
Other		200	2,517	2,717
Capital Outlay			485,758	485,758
Debt service:				
Principle		305,000	12,000	317,000
Interest and other		18,450		18,450
Total expenditures	246,515	323,650	518,852	1,089,017
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	20,281	3,490	(36,190)	(12,419)
OTHER FINANCING SOURCES (USES):				
Operating transfers in	10,272		6,000	16,272
Net Change in Fund Balances	30,553	3,490	(30,190)	3,853
FUND BALANCES, beginning of year	48,329	50,983	342,783	442,095
FUND BALANCES, end of year	\$ 78,882	\$ 54,473	\$ 312,593	\$ 445,948

**ST. IGNACE AREA SCHOOLS
TRUST & AGENCY
STATEMENT OF CHANGES IN ASSETS & LIABILITIES
YEAR ENDED JUNE 30, 2020**

	Balances, beginning of year	Receipts	Disbursements	Balances, End of year
ASSETS				
Cash and equivalents	<u>\$ 208,550</u>	<u>\$ 202,807</u>	<u>\$ 178,518</u>	<u>\$ 232,839</u>
LIABILITIES				
Due to organizations and class funds	<u>\$ 208,550</u>	<u>\$ 202,807</u>	<u>\$ 178,518</u>	<u>\$ 232,839</u>

ST. IGNACE AREA SCHOOLS
SCHEDULE OF BONDED DEBT SERVICE REQUIREMENTS – 2013 Refunding Bonds
JUNE 30, 2020

	Interest rate	Principal amount	Interest amount	Total
Year ending June 30: 2021	3.00%	310,000	9,300	319,300
		\$ 310,000	\$ 9,300	\$ 319,300

Principal payments due on first day of May

Interest payments due on the first day of May and November

Original issue – March 20, 2013 \$2,220,000

Purpose

- To refund all or a portion of the outstanding 2003 School Building and Site Bonds

ST. IGNACE AREA SCHOOLS
SCHEDULE OF BONDED DEBT SERVICE REQUIREMENTS
– 2012 Athletic Facility Bond
JUNE 30, 2020

	Interest rate	Principal amount	Interest amount	Total
Year ending June 30:				
2021	3.99%	12,000	958	12,958
2022	3.99%	12,000	479	12,479
		\$ 24,000	\$ 1,437	\$ 25,437
Principal payments due on first day of		May		
Interest payments due on the first day of		May and November		
Original issue – December 31, 2012		\$120,000		

Purpose

- To renovate and replace the track facility



**INDEPENDENT AUDITORS'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT
OF THE FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH GOVERNMENT AUDITING STANDARDS**

Board of Education
St. Ignace Area Schools
St. Ignace, Michigan

We have audited, 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, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of St. Ignace Public Schools as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise St. Ignace's basic financial statements and have issued our report thereon dated October 1, 2020.

Internal Control Over Financial Reporting

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

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

Our consideration of the 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. 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 St. Ignace Public School's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which would 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.

Traverse City, Michigan
October 1, 2020