

ADAMS TOWNSHIP SCHOOL DISTRICT
REPORT ON FINANCIAL STATEMENTS
(with required supplementary and additional information)
YEAR ENDED JUNE 30, 2020



ADAMS TOWNSHIP SCHOOL DISTRICT

June 30, 2020

ADMINISTRATION

Superintendent..... Tim Keteri
High School Principal..... Steve Lishinski
Elementary Principal..... Kim Harris

BOARD OF EDUCATION

President..... Darren Niemi
Vice President..... Justin Marier
Treasurer..... Eric Mattila
Secretary..... Kristen Archambeau
Trustee..... Chad Snell
Trustee..... Steve Nicholas
Trustee..... George Eakin

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RUKKILA | NEGRO AND ASSOCIATES

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INDEPENDENT AUDITOR'S REPORT

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

Management's Responsibility for the Financial Statements

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

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 the Adams Township School District 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.

Emphasis of Matter

As described in Note O to the financial statements, the District implemented Governmental Accounting Standards board (GASB) Statement No. 84, Fiduciary Activities. Our opinion is not modified with respect to this matter.

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 requirements on pages 6 through 12 and 43 through 46 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The additional information on pages 48 to 51 are presented for purposes of additional analysis and is not a required part of the basic financial statements.

The additional information on pages 48 to 51 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 information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued a report dated December 9, 2020 on our consideration of the Adams Township School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Adams Township School District internal control over financial reporting and compliance.

*Rukkila, Negro and Associates,
Certified Public Accountants, PC*

December 9, 2020

**ADAMS TOWNSHIP SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2020**

This section of Adams Township School District's annual financial report presents management's discussion and analysis of the District's financial performance during the year ended June 30, 2020. Please read it in conjunction with the District's financial statements, which immediately follows this section.

Financial Highlights

- The District's General Fund ended the year within budget. The fund balance increased by \$49,953 to \$374,724. Revenues and other sources in the General Fund totaled \$4,787,981 and expenditures totaled \$4,738,028, compared to \$4,521,354 and \$4,641,388 last year.
- The District's enrollment increased by 11 students this year to 487.

This annual report consists of four parts: Management's Discussion and Analysis (this section), the Basic Financial Statements, Required Supplementary Information, and Supplementary Information. The Basic Financial Statements include two kinds of statements that present different views of the District:

- The first two statements, the Statement of Net Position and the Statement of Activities, are *district-wide financial statements* that provide both short-term and long-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 district-wide statements.
 - *Governmental funds statements* tell how basic services such as regular and special education were financed in the short term as well as what remains for future spending.

The Basic Financial Statements also include Notes to Financial Statements that explain the information in the Basic Financial Statements and provide more detailed data; Required Supplementary Information includes pension and OPEB information schedules; Other Supplementary Information follows and includes combining and individual fund statements and schedules.

District-wide Statements

The district-wide financial 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, deferred outflows of resources, liabilities and deferred inflow of resources. 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 they have changed. Net position - the difference between the District's assets, deferred outflows of resources, liabilities, and deferred inflow 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 District's overall health, one should consider additional non-financial factors such as changes in the District's property tax-base and the condition of school buildings and other facilities.

**ADAMS TOWNSHIP SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2020**

District-wide Statements (Continued)

In the district-wide financial statements, the District's activities are presented as follows:

- *Governmental activities:* The District's basic services are included here, such as regular and special education, instructional support, transportation, administration, food service, student activities, and athletics. State aid and property taxes 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 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 (like repaying debt, and its capital projects funds) or to show that it is properly using certain revenues (like food service and student activities funds).

The District has only governmental funds. Most of the District's basic services are included in governmental funds, which generally focus on (1) how 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 District-wide statements, we provide additional information with the governmental funds statements that explain the relationship (or differences) between them.

Notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the basic financial statements.

Required supplementary information, other than Management's Discussion and Analysis, provides information about the required budgetary comparison information on the General Fund.

Government-Wide Financial Analysis

Net position serves as an indicator of the District's financial position and overall performance. As shown on the following table, total liabilities and deferred inflows exceeded assets and deferred outflows by \$5,855,061 for the District's primary government.

Net investment in capital assets (land, building, and equipment) are currently at \$514,538. These capital assets are used to provide services to students and are not available for future spending. Even though net investment in capital assets is reported net of related debt, the resources needed to repay this debt must be provided from other sources, since the capital assets cannot be used to liquidate these liabilities.

The significant change in total assets or total liabilities from prior year in connection with the capital project expenditures. Deferred outflows increased by \$466,242 and investments decreased by \$3,935,332 for capital project expenditures. The deferred outflows are due to changes in pension and OPEB liabilities not included in pension expense and will be recognized in future years.

**ADAMS TOWNSHIP SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2020**

	Net Position	
	<u>2020</u>	<u>2019</u>
Assets		
Current assets	\$ 949,418	\$ 1,276,166
Restricted cash	-	89,235
Investments	498,979	4,434,311
Capital assets - Net	<u>10,468,040</u>	<u>6,959,269</u>
Total assets	<u>11,916,437</u>	<u>12,758,981</u>
Deferred outflows of resources	2,997,313	2,531,071
Liabilities		
Current liabilities	1,899,865	2,374,512
Noncurrent liabilities	16,564,120	8,966,705
Net pension liability	7,538,744	6,385,290
Net OPEB liability	<u>1,669,701</u>	<u>1,764,914</u>
Total liabilities	<u>27,672,430</u>	<u>19,491,421</u>
Deferred inflows of resources	951,261	956,780
Net position		
Net investment in capital assets	514,538	(2,798,268)
Restricted	67,327	3,981,174
Unrestricted	<u>(6,436,926)</u>	<u>(6,351,278)</u>
Total net position	<u>\$ (5,855,061)</u>	<u>\$ (5,168,372)</u>

As shown on the following table the District's net position decreased by \$686,689. The current to prior year change in governmental activities is due to an increase in overall revenues of \$307,139 mainly due to increased state revenue and an increase in overall expenditures of \$905,974.

	Change in Net Position	
	<u>2020</u>	<u>2019</u>
Program Revenues		
Charges for services	\$ 95,155	\$ 111,076
Operating grants and contributions	1,089,852	886,178
General Revenues		
Taxes	1,029,769	991,777
Unrestricted state aid	3,454,315	3,356,479
Gains/losses on sale of fixed assets	(26,825)	-
Miscellaneous	<u>75,421</u>	<u>65,038</u>
Total revenues	<u>5,717,687</u>	<u>5,410,548</u>
Functions/program expenses		
Instruction	4,199,702	3,117,906
Supporting services	1,554,821	1,798,096
Food services	260,132	242,522
Student activities	47,523	-
Interest and other debt expenses	<u>342,198</u>	<u>339,878</u>
Total expenses	<u>6,404,376</u>	<u>5,498,402</u>
Change in net position	(686,689)	(87,854)
Net position - Beginning, restated	<u>(5,168,372)</u>	<u>(5,080,518)</u>
Net position - Ending	<u>\$ (5,855,061)</u>	<u>\$ (5,168,372)</u>

**ADAMS TOWNSHIP SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2020**

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

The following table highlights the District's General Fund activities:

	2020	% of total	2019	% of total
Revenues/Other financing sources				
Taxes	\$ 405,632	8.5 %	\$ 380,990	8.4 %
Other local revenue	184,623	3.9 %	107,246	2.4 %
Unrestricted state aid	3,454,315	72.1 %	3,356,479	74.2 %
Federal sources	94,783	2.0 %	103,980	2.3 %
State sources	641,857	13.4 %	563,320	12.5 %
Other financing sources	6,771	0.1 %	9,339	0.2 %
Total revenues	\$ 4,787,981	100.0 %	\$ 4,521,354	100.0 %
Expenditures/Other financing uses				
Basic program	\$ 2,526,501	53.3 %	\$ 2,423,276	52.2 %
Added needs	457,208	9.6 %	471,215	10.2 %
Pupil	4,365	0.1 %	7,475	0.2 %
Instructional staff	28,249	0.6 %	35,384	0.8 %
General administration	280,055	5.9 %	268,884	5.8 %
School administration	375,408	7.9 %	362,589	7.8 %
Business-fiscal services	64,646	1.4 %	70,747	1.5 %
Operations & maintenance	518,822	11.0 %	501,871	10.8 %
Pupil transportation	206,890	4.4 %	229,506	4.9 %
Athletics	147,396	3.1 %	135,521	2.9 %
Technical support	83,096	1.8 %	60,993	1.3 %
Other supporting services	11,155	0.2 %	5,046	0.1 %
Other financing uses	34,237	0.7 %	68,881	1.5 %
Total expenditures	\$ 4,738,028	100.0 %	\$ 4,641,388	100.0 %

Significant Transactions and Changes in Individual Funds

A comparison of revenues/transfers, expenditures/transfers and fund balances is as follows:

	2020	2019	Change
General Fund			
Revenues	\$ 4,787,981	\$ 4,521,354	\$ 266,627
Expenditures/other financing sources and uses	\$ 4,738,028	\$ 4,641,388	\$ 96,640
Fund Balance	\$ 374,724	\$ 324,771	\$ 49,953
Debt Service Fund			
Revenues/other financing sources	\$ 760,335	\$ 613,432	\$ 146,903
Expenditures/other financing sources and uses	\$ 721,148	\$ 613,174	\$ 107,974
Fund Balance	\$ 67,197	\$ 28,010	\$ 39,187
Food Service Fund			
Revenues/other financing sources	\$ 250,912	\$ 232,762	\$ 18,150
Expenditures/other financing uses	\$ 246,657	\$ 238,823	\$ 7,834
Fund Balance	\$ 7,044	\$ 2,789	\$ 4,255
Student Activities Fund			
Revenues/other financing sources	\$ 40,537	\$ -	\$ 40,537
Expenditures/other financing uses	\$ 47,523	\$ -	\$ 47,523
Fund Balance	\$ 27,563	\$ -	\$ 27,563

**ADAMS TOWNSHIP SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2020**

Capital Projects Funds				
Revenues/other financing sources	\$	58,280	\$	5,389,230
Expenditures/other financing uses	\$	3,986,612	\$	1,482,681
Fund Balance	\$	130	\$	3,928,462
			\$	(5,330,950)
			\$	2,503,931
			\$	(3,928,332)

General Fund: Revenues increased overall by \$266,627 which majority is the increase in taxes, athletics, contributions, unrestricted state aid, and special education.

Expenses in the General Fund increased overall by \$96,640 which included a combination of increases and decreases in various areas. Major increases included instruction areas, administrative, technical support, and facility/site improvements. Decreases included pupil, instructional staff, and transportation.

Debt Service Fund: The Debt Service Fund collected property taxes and received \$133,671 from the School Bond Loan to assist in making the debt payments.

Food Service Fund: The School Food Service program for the District ended the year with a fund balance of \$7,044.

Capital Projects Fund: The Capital Projects Fund is partly used for the purpose of setting aside money from the General Fund for future building repairs/improvements, and technology updates. By doing this, when a major capital purchase is needed, all the money does not have to come out of the General Fund at one time.

The voters approved the millage for \$5,300,000 of bonds with the proceeds to be used for additions and improvements at the Elementary and High School. The bond proceeds and project expenses are recorded in the Capital Projects Fund.

The bonds proceeds were used for additions and improvements at the Elementary and High School for a total of \$3,986,612.

Student Activity Fund: Comparatives from previous year are non-applicable in current year because this is the first year the fund is being reported.

General Fund Budgetary Highlights

The Uniform Budget Act of the State of Michigan requires that the local Board of Education approve the annual budget prior to the start of the fiscal year on July 1. Any amendments to the original budget must be approved by the Board prior to the close of the fiscal year on June 30.

For the fiscal year ended June 30, 2020, the original budget was adopted in June 2019. Since the original budget is adopted two months before the District is in session, we often have many unknowns such as the number of students we will have for the year. Since much of the District's revenue is determined based on the number of students enrolled, this unknown could have a significant impact on the budget. Often there are a number of unforeseen events that occur throughout the year that impact the budget and/or cause budget variances. The District amended its budget twice during the fiscal year.

**ADAMS TOWNSHIP SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2020**

General Fund Budgetary Highlights (Continued)

	Budgeted Amounts		Actual	Variance Final	% Variance
	Original	Final		to Actual	
Revenues	\$ 4,686,694	\$ 4,824,020	\$ 4,781,210	\$ (42,810)	(0.9)%
Expenditures					
Instruction	\$ 3,010,676	\$ 3,048,828	\$ 2,983,709	\$ 65,119	2.1 %
Supporting services	1,666,983	1,787,284	1,720,082	67,202	3.8 %
Total expenditures	\$ 4,677,659	\$ 4,836,112	\$ 4,703,791	\$ 132,321	2.7 %
Other financing sources (uses)	\$ (6,829)	\$ (14,757)	\$ (27,466)	\$ (12,709)	86.1 %

Changes to the original budget for revenues was for increases in property taxes, state aid, and decrease of MPSERS UAAL Stabilization/Cost off set.

Original budget expenditures adjustments for supporting services expenditures increased because of transportation costs and an increase in maintenance costs.

Other financing sources was adjusted for additional proceeds received from insurance and transfers from other schools.

Capital Assets and Debt Administration

Capital Assets – The District’s capital assets had a net increase of \$4,900,240. Additions consisted of new cafeteria, kitchen, office area, and entrance, remodeling, energy conservation upgrades, educational technology improvements, site improvements, and equipment, from bond proceeds and general funding.

Additional information on the District’s capital assets can be found on page 26 of this report.

Long-term Debt – At the end of the current fiscal year, the District’s total long term debt was \$9,485,287. The District’s total debt decreased by \$305,404.

Additional information on the District’s long-term debt can be found on page 27 of this report.

Known Facts, Decisions, or Conditions Having Significant Affect on Future Operations

The table depicts the change in student enrollment using the State Aid Membership Count.

Year	Student Total	Change
2015-16	451	2
2016-17	464	13
2017-18	457	(7)
2018-19	476	19
2019-20	487	11

Our elected officials and administration consider many factors when setting the District’s fiscal year budget. One of the most important factors affecting the budget is our student count. The State foundation revenue is determined by multiplying the blended student count by the foundation allowance per pupil.

Approximately 72 % of total General Fund revenues are from the foundation allowance. Under State law, the District cannot assess additional property tax revenue for general operations. As a result, district funding is heavily dependent on the State’s ability to fund local school operations.

**ADAMS TOWNSHIP SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2020**

Contacting the District's Financial Management

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

ADAMS TOWNSHIP SCHOOL DISTRICT
STATEMENT OF NET POSITION
June 30, 2020

Assets	
Cash and cash equivalents	\$ 221,941
Investments	498,979
Accounts receivable	17,280
Prepaid expenses	5,317
Due from governmental units	704,880
Capital assets - Net	<u>10,468,040</u>
Total assets	<u>11,916,437</u>
Deferred outflows of resources	
Pension	2,292,899
OPEB	<u>704,414</u>
Total outflows of resources	<u>2,997,313</u>
Liabilities	
Accounts payable	78,232
Accrued expenditures	393,917
Accrued benefits	67,500
Other liabilities	4,599
Due to governmental units	60,848
Accrued interest	485,147
Note payable, due within one year	434,143
Capital lease, due within one year	12,979
Bonds payable, due within one year	430,000
Capital lease, due in more than one year	12,789
Bonds payable, due in more than one year	7,270,000
Unamortized premiums on the issuance of bonds	33,575
Net pension liability	7,538,744
Net OPEB liability	1,669,701
School bond fund payable	<u>1,325,376</u>
Total liabilities	<u>19,817,550</u>
Deferred inflows of resources	
Pension	307,248
OPEB	<u>644,013</u>
Total deferred inflows of resources	<u>951,261</u>
Net position	
Net investment in capital assets	514,538
Restricted	
Debt service	130
Capital projects	67,197
Unrestricted	<u>(6,436,926)</u>
Total net position	<u>\$ (5,855,061)</u>

The accompanying notes to the financial statements are an integral part of this statement.

ADAMS TOWNSHIP SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
Year Ended June 30, 2020

<u>Functions/Programs</u>	<u>Program Revenues</u>			<u>Governmental</u>
	<u>Expenses</u>	<u>Charges for</u>	<u>Operating Grants</u>	<u>Activities</u>
		<u>Services</u>	<u>and Contributions</u>	<u>Net (Expense)</u>
				<u>Revenue and</u>
				<u>Changes in Net</u>
				<u>Position</u>
Government Activities				
Instruction and instructional support	\$ 4,199,702	\$ 3,921	\$ 777,152	\$ (3,418,629)
Support services	1,422,603	12,750	48,219	(1,361,634)
Food service	260,132	54,682	189,354	(16,096)
Student activities	47,523	-	40,537	(6,986)
Athletics	132,218	23,802	34,590	(73,826)
Interest on long-term debt	342,198	-	-	(342,198)
Total governmental activities	<u>\$ 6,404,376</u>	<u>\$ 95,155</u>	<u>\$ 1,089,852</u>	<u>(5,219,369)</u>

General revenues:

Taxes, levied for general operations	405,632
Taxes, levied for debt service	613,859
Other taxes	10,278
Unrestricted state aid	3,454,315
Earnings on investments	53,047
Gains/losses on sale of fixed assets	(26,825)
Penalties and interest	3,571
Miscellaneous	18,803
Total general revenues, transfers, and special items	<u>4,532,680</u>
Change in net position	(686,689)
Net position - Beginning of year, restated	<u>(5,168,372)</u>
Net position - End of year	<u>\$ (5,855,061)</u>

The accompanying notes to the financial statements are an integral part of this statement.

ADAMS TOWNSHIP SCHOOL DISTRICT
GOVERNMENTAL FUNDS
BALANCE SHEET
June 30, 2020

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Capital Projects</u>	<u>Non-Major Funds</u>	<u>Total Governmental Funds</u>
Assets					
Cash and cash equivalents	\$ 136,921	\$ 25,848	\$ 23,071	\$ 36,101	\$ 221,941
Investments	469,832	-	29,147	-	498,979
Accounts receivable	13,667	-	-	3,613	17,280
Prepaid expenses	5,317	-	-	-	5,317
Due from governmental units	697,600	-	-	7,280	704,880
Due from other funds	7,788	41,349	13,000	-	62,137
Total assets	<u>\$ 1,331,125</u>	<u>\$ 67,197</u>	<u>\$ 65,218</u>	<u>\$ 46,994</u>	<u>\$ 1,510,534</u>
Liabilities					
Accounts payable	\$ 13,144	\$ -	\$ 65,088	\$ -	\$ 78,232
Accrued expenditures	393,917	-	-	-	393,917
Due to other funds	54,349	-	-	7,788	62,137
Due to governmental units	60,848	-	-	-	60,848
Note payable, due within one year	434,143	-	-	-	434,143
Other liabilities	-	-	-	4,599	4,599
Total liabilities	<u>956,401</u>	<u>-</u>	<u>65,088</u>	<u>12,387</u>	<u>1,033,876</u>
Fund balances					
Non-spendable	5,317	-	-	-	5,317
Restricted					
Debt service	-	67,197	-	-	67,197
Capital projects	-	-	130	-	130
Food service	-	-	-	7,044	7,044
Committed for student activities	-	-	-	27,563	27,563
Assigned	284,632	-	-	-	284,632
Unassigned	84,775	-	-	-	84,775
Total fund balances	<u>374,724</u>	<u>67,197</u>	<u>130</u>	<u>34,607</u>	<u>476,658</u>
Total liabilities and fund balances	<u>\$ 1,331,125</u>	<u>\$ 67,197</u>	<u>\$ 65,218</u>	<u>\$ 46,994</u>	<u>\$ 1,510,534</u>

The accompanying notes to the financial statements are an integral part of this statement.

ADAMS TOWNSHIP SCHOOL DISTRICT
GOVERNMENTAL FUNDS
RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT OF NET POSITION
June 30, 2020

Fund Balance Reported in Governmental Funds	\$ 476,658
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets, net of accumulated depreciation, used in governmental activities are not financial resources and therefore are not reported in the funds	10,468,040
Net pension liability	(7,538,744)
Deferred outflows from the difference between pension changes of assumptions and contributions subsequent to the measurement date	2,292,899
Deferred inflows from the difference between projected and actual investment earnings of the pension plan	(307,248)
Net OPEB liability	(1,669,701)
Deferred outflows from the difference between OPEB changes of assumptions and contributions subsequent to the measurement date	704,414
Deferred inflows from the difference between projected and actual investment earnings of the OPEB plan	(644,013)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds	(9,084,719)
Compensated absences are reported on the accrual method in the statement of activities, and recorded as an expenditure when financial resources are used in the governmental funds.	(7,538,744)
Accrued interest is not included as a liability in governmental funds	<u>(485,147)</u>
Net position of governmental activities	<u>\$ (13,326,305)</u>
should be zero	<u><u>\$ (7,471,244)</u></u>

The accompanying notes to the financial statements are an integral part of this statement.

ADAMS TOWNSHIP SCHOOL DISTRICT
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
Year Ended June 30, 2020

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Capital Projects</u>	<u>Non-Major Funds</u>	<u>Total</u>
Revenues					
Local sources	\$ 590,255	\$ 626,664	\$ 45,280	\$ 95,233	\$ 1,357,432
State sources	4,096,172	-	-	9,113	4,105,285
Federal sources	94,783	-	-	180,241	275,024
Total revenues	<u>4,781,210</u>	<u>626,664</u>	<u>45,280</u>	<u>284,587</u>	<u>5,737,741</u>
Expenditures					
Instruction	2,983,709	-	-	-	2,983,709
Supporting services	1,572,686	-	-	-	1,572,686
Food services	-	-	-	246,657	246,657
Student activities	-	-	-	47,523	47,523
Athletics	147,396	-	-	-	147,396
Capital projects	-	-	3,986,612	-	3,986,612
Debt service	-	721,148	-	-	721,148
Total expenditures	<u>4,703,791</u>	<u>721,148</u>	<u>3,986,612</u>	<u>294,180</u>	<u>9,705,731</u>
Excess (deficiency) of revenues over expenditures	<u>77,419</u>	<u>(94,484)</u>	<u>(3,941,332)</u>	<u>(9,593)</u>	<u>(3,967,990)</u>
Other financing sources (uses)					
Incoming transfers - other schools	6,771	-	-	-	6,771
Facility/Site improvement	(14,375)	-	-	-	(14,375)
Operating transfers in (out)	(19,862)	-	13,000	6,862	-
Proceeds from school bond loan fund	-	133,671	-	-	133,671
Total other financing sources (uses)	<u>(27,466)</u>	<u>133,671</u>	<u>13,000</u>	<u>6,862</u>	<u>126,067</u>
Net change in fund balances	49,953	39,187	(3,928,332)	(2,731)	(3,841,923)
Fund balances - Beginning of year, restated	<u>324,771</u>	<u>28,010</u>	<u>3,928,462</u>	<u>37,338</u>	<u>4,318,581</u>
Fund balances - End of year	<u>\$ 374,724</u>	<u>\$ 67,197</u>	<u>\$ 130</u>	<u>\$ 34,607</u>	<u>\$ 476,658</u>

The accompanying notes to the financial statements are an integral part of this statement.

ADAMS TOWNSHIP SCHOOL DISTRICT
GOVERNMENTAL FUNDS
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
Year Ended June 30, 2020

Net Change in Fund Balances - Total Governmental Funds	\$ (3,841,923)
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds do not record depreciation and report capital outlays as expenditures; in the statement of activities, these costs are capitalized and allocated over their estimated useful lives as depreciation	3,535,596
Accrued expenses are recorded in the statement of activities when incurred; they are not reported in governmental funds until paid	(27,747)
In the statement of activities, only the gain on sale of fixed assets are reported, whereas in the governmental funds, the proceeds from the sale increase financial resources.	(26,825)
Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position	(133,671)
Capital lease proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position	(38,940)
The change in net pension liability amounts does not require the use of current resources and is not reported in the governmental funds	(657,462)
The change in OPEB obligation does not require the use of current resources and is not reported in the governmental funds	70,982
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	4,197
Repayment of bond principal and capital lease payments are an expenditure in the governmental funds, but not in the statement of activities (where it reduces long-term debt)	<u>429,104</u>
Change in net position of governmental activities	<u><u>\$ (686,689)</u></u>

The accompanying notes to the financial statements are an integral part of this statement.

ADAMS TOWNSHIP SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS - June 30, 2020

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the Adams Township School District have been prepared in conformity with accounting principles generally accepted in the United States of America (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 District accounting policies are described below.

REPORTING ENTITY

Adams Township School District (the “District”) is governed by the Adams Township School District Board of Education (the “Board”), which has responsibility and control over all activities related to public school education within the District. The District receives funding from local, state and federal government sources and must comply with all the requirements of these funding source entities. However, the District is not included in any other governmental reporting entity as defined by the accounting principles generally accepted in the United States of America. Board members are elected by the public and have decision-making authority, the power to designate management, the ability to significantly influence operations, and the primary accountability for fiscal matters. In addition, the District’s reporting entity does not contain any component units as defined in Governmental Accounting Standards Board Statement Numbers 14 and 39.

Excluded from the reporting entity:

Adams Township School District Foundation, Inc.

The potential component unit has a separately elected board and provides assistance with development, implementation, and/or maintenance of educational programs which significantly contribute to the education and personal growth of Adams Township School students. The foundation is excluded from the reporting entity because the District does not have the ability to exercise influence or control over the operations, approve budgets, or provide funding.

GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the District. For the most part, the effect of inter-fund 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. All of the District’s government-wide activities are considered governmental activities.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenue includes (1) charges to customers or applicants who purchase, use, or directly benefit from 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 or segment. State Foundation Aid, certain revenue from the intermediate school district and other unrestricted items are not included as program revenues and are reported as general revenues.

In the government-wide statement of net position, the governmental activities column is presented on a consolidated basis and is reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The District’s net position are reported in three parts – net investment in capital assets; restricted; and unrestricted net position.

**ADAMS TOWNSHIP SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS - June 30, 2020**

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

The District does allocate indirect costs.

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

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.

Governmental Funds – Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the 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 and claims and judgments, are recorded only when payment is due.

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

The District reports the following major governmental funds:

General Fund - The General Fund is the general operating fund and accordingly, it is used to account for all financial resources except those required to be accounted for in another fund.

Debt Service Fund - This fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs.

Capital Projects Fund - The Capital Projects Fund is used to account for all revenues and expenditures associated with the District's capital structures.

Other Non-Major funds:

Special Revenue Funds - Special Revenue Funds are used to account for the activities of specific school service revenue sources such as the Food Service Fund and Student Activities.

Accrual Method – 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 as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

**ADAMS TOWNSHIP SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS - June 30, 2020**

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND BASIS OF PRESENTATION

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

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

State Revenue - The State of Michigan utilizes a foundation grant approach which provides for a specific annual amount of revenue per pupil based on a statewide 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 and the local county treasurer.

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 30 is reported as due from other governmental units.

Foundation		\$ 8,111.00
Less Local Support:		
Assumed Local Revenue	\$ 401,961.00	
Divided by General Education k-12 membership	<u>482.76</u>	
Calculated Local Support		<u>(832.63)</u>
Foundation Grant Allowance Per Pupil		<u><u>\$ 7,278.37</u></u>

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

Other Accounting Policies

Cash and Cash Equivalents – Cash and cash equivalents include cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value. Pooled investment income is generally allocated to each fund using a weighted average of balance for the principal.

Property Taxes – Property taxes levied by the District are collected by Adams and Bohemia Townships and periodically remitted to the District. The taxes are levied and become a lien as of July 1 and December 1 of each year and are due upon receipt of the billing by the taxpayer and becomes a lien on the first day of the levy year. The actual due dates are September 14 and February 14, after which time the bills become delinquent and penalties and interest may be assessed by the collecting entity.

**ADAMS TOWNSHIP SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS - June 30, 2020**

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Fund	Mills
General fund - Non-homestead	17.8301
Debt service fund - Homestead and non-homestead	11.4500

Receivables and Payables – Activity between funds are reported as “due to/from other funds.”

All receivables, including property taxes receivable, are shown net of allowance for uncollectibles.

Inventory – The District utilizes the purchase method of recording inventories of food supplies, materials and supplies. Under the purchase method, inventories are recorded as expenditures when they are purchased.

Capital Assets – Capital assets, which include land, buildings, equipment, site improvements, and vehicles are reported in the applicable governmental activities column in the government-wide financial statements. Fixed assets are defined by the government as assets with an initial individual cost of more than \$5,000. 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 donation. Costs of normal repair & maintenance that do not add to the value or materially extend asset lives are not capitalized.

Buildings, equipment, and vehicles are depreciated using the straight-line method over the following useful lives:

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

Accrued Benefits – The liabilities for accrued benefits reported in the district-wide statements of \$7,538,744, consist of retirement incentives. The District's contract with the Copper Country Education Association includes a retirement incentive payment to retiring teachers with at least 10 years of service. The minimum benefit is \$4,500 and is increased each 10 years by \$1,500 with a maximum of \$7,500. As of June 30, 2020, there were eleven (11) teachers who qualified for the early retirement incentive, with a liability of \$67,500.

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.

Estimates – The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position - Deferred outflows are reported in a separate section following assets, and deferred inflows are reported in a separate section following liabilities. The statement of net position then arrives at net position which includes the net effects of assets, deferred outflows of resources, liabilities, and deferred inflows of resources.

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

**ADAMS TOWNSHIP SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS - June 30, 2020**

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

When the District incurs an expenditure for purposes for which various fund balance classifications can be used, it is the District's policy to use restricted fund balance first, then committed fund balance, assigned fund balance, and finally unassigned balance.

NOTE B - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

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 July 1. The operating budget includes proposed expenditures and means of financing them. The level of control for the budgets is at the functional level as set forth and presented as required supplementary information.
2. A public hearing is held to obtain taxpayer comments.
3. Prior to July 1, the budget is legally adopted by School Board resolution pursuant to the Uniform Budgeting and Accounting Act (P.A. 621 of 1978) enacted at a regular meeting by School Board approval. The Act provides that a local unit shall not incur expenditures in excess of the amount appropriated.
4. During the year the budget is monitored, and amendments to the budget resolution are made when deemed necessary.
5. Budget appropriations lapse at the end of the fiscal year.

In the body of the financial statements, the District's actual expenditures and budgeted expenditures for the budgetary funds have been shown on a functional basis. Violations, if any, are noted in the required supplementary information section.

NOTE C - DEPOSITS AND INVESTMENTS

At year-end, the District's cash deposits (checking, savings and certificates of deposit) and investments were reported in the basic financial statements in the following categories and breakdown between deposits and investments for the District is as follows:

	Governmental Funds
Cash and cash equivalents	\$ 221,941
Investments	498,979
Total cash and investments	\$ 997,958

**ADAMS TOWNSHIP SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS - June 30, 2020**

NOTE C - DEPOSITS AND INVESTMENTS (Continued)

As of June 30, 2020 the District had the following investments:

Investment Type	Fair Value	Weighted average maturity (years)	Standard & Poor's Rating	%
MILAF+ MAX Class	\$ 498,979	0.0027	AAAm	100 %

Portfolio weighted average maturity
 1 day maturity equals .0027, one year equals 1.00

The District voluntarily invests certain excess funds in external pooled investment funds which included money market funds. One of the pooled investment funds utilized by the District is the Michigan Investment Liquid Asset Fund (MILAF). MILAF is an external pooled investment fund of "qualified" investments for Michigan school districts. MILAF is not regulated nor is it registered with the SEC. MILAF reports as of June 30, 2020, the fair value of the District's investments is the same as the value of the pool shares.

MILAF funds are considered external investment pools as defined by the GASB and as such are recorded at amortized cost which approximate fair value. The MILAF (MAX Class) fund requires notification of redemptions prior to 14 days to avoid penalties. These funds are not subject to the fair value disclosures.

Investment and Deposit Risk

Interest Rate Risk – In accordance with its investment policy, the District will minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by: structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the open market; and, investing operating funds primarily in shorter-term securities, liquid asset funds, money market mutual funds, or similar investment pools and limiting the average maturity in accordance with the District’s cash requirements. The District’s investments held at year end do not have maturity dates.

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

Custodial Credit Risk - Deposits – In the case of deposits, this is the risk that in the event of a bank failure, the District’s deposits may not be returned to it. State law does not require and the District does not have a policy for deposit custodial credit risk. As of June 30, 2020 the District’s bank balance was 100% insured.

Custodial Credit Risk - Investments – For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. State law does not require and the District does not have a policy for investment custodial credit risk. The custodial credit risk of these investments cannot be determined.

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

**ADAMS TOWNSHIP SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS - June 30, 2020**

NOTE C - DEPOSITS AND INVESTMENTS (Continued)

Fair Value Measurement - The District is required to disclose amounts within a framework established for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy are described as follows:

- Level 1: Quoted prices in active markets for identical securities.
- Level 2: Prices determined using other significant observable inputs. Observable inputs are inputs that other markets participants may use in pricing a security. These may include prices for similar securities, interest rates, prepayment speeds, credit risk and others.
- Level 3: Prices determined using significant unobservable inputs. In situations where quoted prices or observable inputs are unavailable or deemed less relevant, unobservable inputs may be used. Unobservable inputs reflect the School District's own assumptions about the factors market participants would use in pricing an investment and would be based on the best information available.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The District does not have any investments subject to the fair value measurement.

Michigan law authorizes the District to deposit and invest in:

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

**ADAMS TOWNSHIP SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS - June 30, 2020**

NOTE D - CAPITAL ASSETS

Capital Asset activity of the District’s governmental activities was as follows:

	Balance July 01, 2019	Additions	Deletions	Balance June 30, 2020
Capital assets, not being depreciated				
Land	\$ 2	\$ -	\$ -	\$ 2
Construction in progress	1,391,469	11,588	1,391,469	11,588
Subtotal	<u>1,391,471</u>	<u>\$ 11,588</u>	<u>\$ 1,391,469</u>	<u>11,590</u>
Capital assets, being depreciated				
Buildings and additions	8,239,821	\$ 4,849,441	\$ 67,238	13,022,024
Improvements other than building	300,468	65,707	-	366,175
Equipment and furniture	578,692	276,680	68,607	786,765
Vehicles	24,581	-	-	24,581
Subtotal	<u>9,143,562</u>	<u>\$ 5,191,828</u>	<u>\$ 135,845</u>	<u>14,199,545</u>
Accumulated depreciation				
Building and additions	3,080,663	\$ 214,299	\$ 40,414	3,254,548
Improvements other than building	90,488	17,261	-	107,749
Equipment and furniture	393,744	41,718	68,606	366,856
Vehicles	10,869	3,073	-	13,942
Subtotal	<u>3,575,764</u>	<u>\$ 276,351</u>	<u>\$ 109,020</u>	<u>3,743,095</u>
Net capital assets being depreciated	<u>5,567,798</u>			<u>10,456,450</u>
Net capital assets	<u>\$ 5,567,800</u>			<u>\$ 10,468,040</u>

Depreciation expense was charged to activities of the District as follows:

Governmental activities	
Athletic	\$ 267
Food services	3,026
Instruction	253,787
Operations and maintenance	17,443
Pupil transportation	1,828
Total governmental	<u>\$ 276,351</u>

NOTE E - RECEIVABLES

	General Fund	Food Service Fund	Total
Federal	\$ 18,897	\$ -	\$ 18,897
State	678,703	7,280	685,983
Local	13,667	3,613	17,280
Total	<u>\$ 711,267</u>	<u>\$ 10,893</u>	<u>\$ 722,160</u>

**ADAMS TOWNSHIP SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS - June 30, 2020**

NOTE F - INTER-FUND RECEIVABLES, PAYABLES, AND TRANSFERS

Amounts due from (to) other funds represent the balance of monies due from or to other funds for expenditures made or fund balance transfers approved. The amounts of inter-fund activities as of June 30, 2020 are as follows:

<u>Fund</u>	<u>Inter-fund Receivable</u>	<u>Fund</u>	<u>Inter-fund Payable</u>
General Fund	7,788	Food Service Fund	\$ 7,542
		Student Activities Fund	246
Total	<u>\$ 7,788</u>	Total	<u>\$ 7,788</u>

<u>Fund</u>	<u>Transfer In</u>	<u>Fund</u>	<u>Transfer Out</u>
Capital Projects	\$ 13,000	General Fund	\$ 19,862
Food Service Fund	6,862		
Total	<u>\$ 19,862</u>	Total	<u>\$ 19,862</u>

NOTE G - ACCRUED EXPENSES

Accrued expenses as of June 30, 2020, for the District is as follows:

<u>Accrued Expenses</u>	<u>General Fund</u>
Salaries payable	\$ 256,016
Accrued expenditures	137,901
Total accrued expenses	<u>\$ 393,917</u>

NOTE H - LONG TERM DEBT

Michigan Finance Authority

On August 20, 2019, the District obtained two one-year operating loans from the Michigan Finance Authority, which are pledged by future state aid payments and will provide funds for general operating expenditures. State Aid Note, Series 2019A-1 \$200,000, State Aid Note and Series 2019A-2 \$400,000, have interest rates of 1.30%. Interest is due semi-annually and principal due at maturity. Series 2019-1 mature on July 20, 2020. Series 2019A-2 mature on August 20, 2020. The balance as of June 30, 2020 was \$434,143.

Capital Lease Agreements

On August 15, 2019, the District entered into a capital lease with Apple, Inc. in the amount of \$38,940 for personal computers. This lease has fixed annual payments of \$13,172 which includes interest. The lease will expire in August 2021, at which time the District will legally own the equipment. At June 30, 2020 a balance of \$25,767.56 is due.

**ADAMS TOWNSHIP SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS - June 30, 2020**

NOTE H - LONG TERM DEBT (Continued)

2019 School Building and Site Bonds

On January 30, 2019, the District issued \$5,300,000 of unlimited tax general obligation school bonds for the purpose of remodeling, furnishing and refurbishing, equipping and re-equipping school facilities in part for energy conservation purposes; acquiring, installing and equipping educational technology improvements in school facilities; and developing and improving sites; and paying the costs of issuing the bonds.

Mandatory Redemption – Term Bonds: The Bonds maturing on May 1, 2031, May 1, 2033, May 1, 2035, May 1, 2037, May 1, 2039 and May 1, 2042 (the “Term Bonds”), are subject to mandatory redemption, in part, by lot, on the redemption dates and in the principal amounts set forth below and at a redemption price equal to the principal amount thereof, without premium, together with interest thereon to the redemption date. When Term Bonds are purchased by the School District and delivered to the Paying Agent for cancellation or are redeemed in a manner other than by mandatory redemption, the principal amount of the Term Bonds affected shall be reduced by the principal amount of the Bonds so redeemed or purchased in the order determined by the School District.

Optional Redemption: Bonds of this issue maturing in the years 2020 through 2028, inclusive, shall not be subject to redemption prior to maturity. Bonds or portions of Bonds in multiples of \$5,000 of this issue maturing in the year 2029 and thereafter shall be subject to redemption prior to maturity, at the option of the School District, in such order as the School District may determine and by lot within any maturity, on any date occurring on or after May 1, 2028, at par and accrued interest to the date fixed for redemption.

The bond issue matures as indicated below with interest rate at varying rates of 3.0% to 4.0% per annum. Interest payments began on November 1, 2019, and are payable semi-annually on May 1 and November 1 as indicated.

The bond issue (denominations of \$5,000 or multiples thereof) matures as indicated below and bears an interest rate not exceeding 4% per annum, payable. The Bonds are not subject to redemption prior to maturity. The District is required to make yearly payments through the maturity date, May 1, 2042.

Fiscal Year	November 1	May 1		Total
	Interest	Interest	Principal	
2020-2021	\$ 90,038	\$ 90,038	\$ 130,000	\$ 310,076
2021-2022	88,087	88,087	140,000	316,174
2022-2023	85,988	85,988	160,000	331,976
2023-2024	83,588	83,588	170,000	337,176
2024-2025	81,038	81,038	200,000	362,076
2025-2026	78,038	78,038	210,000	366,076
2026-2027	74,888	74,888	220,000	369,776
2027-2032	323,135	323,135	1,180,000	1,826,270
2032-2037	220,250	220,250	1,360,000	1,800,500
2037-2042	85,800	85,800	1,420,000	1,591,600
	<u>\$ 1,210,850</u>	<u>\$ 1,210,850</u>	<u>\$ 5,190,000</u>	<u>\$ 7,611,700</u>

2017 Advance Refunding

On June 29, 2017 the District issued \$1,940,000 of general obligation unlimited tax refunding bonds to advance refund \$2,065,000 of outstanding unlimited tax and obligation bonds. The proceeds of the bonds were used to provide for the payment of the principal of, interest on and redemption premium on the 2007 Refunding Bonds. The net savings is \$157,189 and the present value savings is \$147,063.

**ADAMS TOWNSHIP SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS - June 30, 2020**

NOTE H - LONG TERM DEBT (Continued)

Optional Redemption: The Bonds or portions of the Bonds in multiples of \$5,000 maturing on or after May 1, 2028, are subject to redemption at the option of the District in such order as the District may determine and by lot within any maturity, on any date occurring on or after May 1, 2027, at par plus accrued interest to the date fixed for redemption.

Mandatory Redemption of Term Bonds: The Bonds maturing on May 1, 2028 and May 1, 2031 are term bonds (the "Term Bonds") subject to mandatory redemption, in part, by lot, on the redemption dates and in the principal amounts set forth below and at a redemption price equal to the principal amount thereof, without premium, together with interest thereon to the redemption date. When Term Bonds are purchased by the District and delivered to the Paying Agent for cancellation or are redeemed in a manner other than by mandatory redemption, the principal amount of the Term Bonds affected shall be reduced by the principal amount of the Bonds so redeemed or purchased in order determined by the District.

Fiscal Year	November 1	May 1		Total
	Interest	Interest	Principal	
2020-2021	\$ 12,214	\$ 12,214	\$ 225,000	\$ 249,428
2021-2022	10,695	10,695	220,000	241,390
2022-2023	9,045	9,045	215,000	233,090
2023-2024	7,325	7,325	205,000	219,650
2024-2025	5,582	5,582	70,000	81,164
2025-2026	4,777	4,777	65,000	74,554
2026-2027	4,030	4,030	65,000	73,060
2027-2031	8,482	8,482	260,000	276,964
	<u>\$ 62,150</u>	<u>\$ 62,150</u>	<u>\$ 1,325,000</u>	<u>\$ 1,449,300</u>

2011 School Building and Site Bonds

On June 8, 2011, the District issued \$1,715,000 of unlimited tax general obligation school bonds for the purpose of remodeling, furnishing and refurnishing, equipping and re-equipping school facilities in part for energy conservation purposes; acquiring, installing and equipping educational technology improvements in school facilities; and developing and improving sites.

The bond issue (denominations of \$5,000 or multiples thereof) matures as indicated below and bears an interest rate not exceeding 6% per annum, payable. The Bonds are not subject to redemption prior to maturity. The District is required to make yearly payments through the maturity date, May 1, 2031.

Fiscal Year	November 1	May 1		Total
	Interest	Interest	Principal	
2020-2021	\$ 25,206	\$ 25,206	\$ 75,000	\$ 125,412
2021-2022	23,894	23,894	80,000	127,788
2022-2023	22,494	22,494	80,000	124,988
2023-2024	20,894	20,894	95,000	136,788
2024-2025	18,994	18,994	100,000	137,988
2025-2026	16,944	16,944	110,000	143,888
2026-2027	14,634	14,634	115,000	144,268
2027-2032	30,820	30,820	530,000	591,640
	<u>\$ 173,880</u>	<u>\$ 173,880</u>	<u>\$ 1,185,000</u>	<u>\$ 1,532,760</u>

**ADAMS TOWNSHIP SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS - June 30, 2020**

NOTE H - LONG TERM DEBT (Continued)

School Bond Qualification and Loan Program

The District has borrowed from the School Bond Loan Program for the purpose of making principal and interest payments on bond issues. In accordance with Act 108, Public Acts of Michigan, 1961, as amended, the State of Michigan can lend the District funds to make debt payments if, for any reason, the district is unable to pay the principal and interest on bonds when due. The loans will be repaid from taxes levied for that purpose. Repayment will commence subsequent to the repayment of the District's bond issues. However, repayments shall be made earlier if taxes levied and collected in any particular year exceed those required to repay the bonds. The interest rate associated with loans is established by the State at the time of borrowing and remains fixed for that specific borrowing until repayment.

School Bond Loan Fund: At June 30, 2020, the principal balance due to the School Bond Loan Fund was \$1,191,705 and accrued interest was \$441,875. The interest rate is 3.11836%.

School Loan Revolving Fund: At June 30, 2020, the principal balance due to the School Loan Revolving Fund was \$133,671 and accrued interest was \$786. The interest rate is 3.11836%.

Long-term liabilities activity, as reported in and liquidated through the following funds for the fiscal year ended June 30, 2020, was as follows:

	Balance July 01, 2019	Increase	Decrease	Balance June 30, 2020	Current Portion
2019 Building & Site Bond	\$ 5,300,000	\$ -	\$ 110,000	\$ 5,190,000	\$ 130,000
2017 Refunding Bonds	1,550,000	-	225,000	1,325,000	225,000
2011 Building & Site Bonds	1,260,000	-	75,000	1,185,000	75,000
School Bond Loan - SBLF	1,191,705	-	-	1,191,705	-
School Bond Loan - SLRF	-	133,671	-	133,671	-
Capital Lease	5,932	38,940	19,104	25,768	12,979
Michigan Finance Authority	483,054	600,000	648,911	434,143	434,143
	9,790,691	772,611	1,078,015	9,485,287	\$ 877,122
Premium on bonds	37,772	-	4,197	33,575	
Accrued Interest	449,900	35,247	-	485,147	
Accrued Benefits	75,000	-	7,500	67,500	
Total	\$ 10,353,363	\$ 807,858	\$ 1,089,712	\$ 10,071,509	

As of June 30, 2020, the aggregate maturities of long-term debt are as follows:

Fiscal Year	Interest	Principal	Total
2020-2021	\$ 254,916	\$ 442,789	\$ 697,705
2021-2022	245,352	452,979	698,331
2022-2023	235,054	455,000	690,054
2023-2024	223,614	470,000	693,614
2024-2025	211,228	370,000	581,228
2025-2026	199,518	385,000	584,518
2026-2027	187,104	400,000	587,104
2027-2032	724,874	1,970,000	2,694,874
2032-2037	440,500	1,360,000	1,800,500
2037-2042	614,261	3,179,519	3,793,780
	\$ 3,336,421	\$ 9,485,287	\$ 12,821,708

**ADAMS TOWNSHIP SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS - June 30, 2020**

NOTE I - MICHIGAN PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM (MPSERS) PENSION AND OPEB PLANS

Plan Description

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

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

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

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

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

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.

**ADAMS TOWNSHIP SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS - June 30, 2020**

NOTE I - MICHIGAN PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM (MPSERS) PENSION AND OPEB PLANS (Continued)

Additional information as of the latest actuarial valuation follows:

Valuation date	September 30, 2018
Actuarial cost method	Entry age, normal
Wage inflation rate	2.75
Investment rate of return:	
Pension	6.00%-6.80%
OPEB	7.15%
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
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 Healthy Employee Annuitant Mortality Tables, scaled by 100% and adjusted for mortality improvements using projection scale MP-2017 from 2006.
Other OPEB Assumptions:	
Opt out assumptions	21% of eligible participants hired before July 1, 2008 and 30% of those hired after June 30, 2008 are assumed to opt out of the retiree health plan
Survivor coverage	80% of male retirees and 67% of female retirees are assumed to have coverage continuing after the retiree's death
Coverage election at retirement	75% of male and 60% of female future retirees are assumed to elect coverage for 1 or more dependents.

Notes:

- Assumption changes as a result of an experience study for the period 2012 through 2017 have been adopted by the System for use in the annual pension valuations beginning with the September 30, 2017 valuation. The total pension and OPEB liability as of September 30, 2019, is based on the results of an actuarial valuation date of September 30, 2018, and rolled forward using generally accepted actuarial procedures, including the experience study.
- Recognition period for pension liabilities is the average of the expected remaining service lives of all employees in years which is 4.4977 for non-university employers.
- Recognition period for pension assets in years is 5.0000
- Recognition period for OPEB liabilities is the average of the expected remaining service lives of all employees in years which is 5.6018 for non-university employers.
- Recognition period for OPEB assets in years is 5.0000
- Full actuarial assumptions are available in the 2019 MPSERS Comprehensive Annual Financial Report found on the ORS website at www.michigan.gov/orsschools.

**ADAMS TOWNSHIP SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS - June 30, 2020**

NOTE I - MICHIGAN PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM (MPSERS) PENSION AND OPEB PLANS (Continued)

Long-Term Expected Return on Plan Assets

The long-term expected rate of return on pension plan and 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 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.

The target asset allocation as of September 30, 2019 and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Investment Category</u>	<u>Target Allocation</u>	<u>Long Term Expected Real Rate of Return*</u>
Domestic Equity Pools	28.0 %	5.5%
Private Equity Pools	18.0 %	8.6%
International Equity Pools	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>	

* Long term rate of return does not include 2.3% inflation

Rate of Return

For the fiscal year ended September 30, 2019, the annual money-weighted rate of return on pension plan investment and OPEB plan investment net of pension plan and OPEB investment expense, was 5.14% and 10.75% respectively. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Discount Rate

A discount rate of 6.80% was used to measure the total pension liability (6.80% for the Pension Plus plan, 6.0% 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 6.80% (6.80% for the Pension Plus plan, 6.0% for the Pension Plus 2 plan). 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 pension plan's fiduciary net position and the OPEB plan's fiduciary net position were 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 OPEB plan investments was applied to all periods of projected benefit payments to determine the total pension liability and total OPEB liability.

**ADAMS TOWNSHIP SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS - June 30, 2020**

NOTE I - MICHIGAN PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM (MPSERS) PENSION AND OPEB PLANS (Continued)

PENSION PLAN

Benefits Provided

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

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

Contributions

Reporting units are required by Public Act 300 of 1980, as amended, to contribute amounts necessary to finance the coverage of members and retiree Other Post-Employment benefits (OPEB). 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 the 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 September 30, 2018 valuation will be amortized over a 20-year period for fiscal year beginning October 1, 2018 and ending September 30, 2038.

The District's contributions are determined based on employee elections. There are several different benefit options included in the plan available to employees based on date of hire. Contribution rates are adjusted annually by ORS. The range of rates is as follows:

<u>Pension Contribution Rates</u>		
<u>Benefit Structure</u>	<u>Member Rate</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%
Defined Contribution	0.0%	13.39%

Required contributions to the pension plan from Adams Township School District were \$604,740 for the year ended September 30, 2019.

**ADAMS TOWNSHIP SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS - June 30, 2020**

NOTE I - MICHIGAN PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM (MPSERS) PENSION AND OPEB PLANS (Continued)

Pension Liabilities

At June 30, 2020, the District reported a liability of \$7,538,744 for its proportionate share of the MPSERS net pension liability. The net pension liability was measured as of September 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation rolled forward from September 2018. The District's proportion of the net pension liability was determined by dividing each employer's statutorily required pension contributions to the system during the measurement period by the percent of pension contributions required from all applicable employers during the measurement period. At September 30, 2019 and 2018, the District's proportion was .02276% and .02124%.

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

For the year ended June 30, 2020, the District recognized total pension expense of \$1,277,019. This amount excludes contributions funded from state revenue Section 147c restricted to fund the MPSERS Unfunded Actuarial Accrued Liability (UAAL) Stabilization Rate.

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

	<u>Deferred outflows of resources</u>	<u>Deferred inflows of resources</u>
Difference between expected and actual experience	\$ 33,791	\$ 31,436
Changes of assumptions	1,476,091	-
Net difference between policies and actual earnings on pension plan investments	-	241,604
Changes in proportion and differences between Employer contributions and proportionate share of contributions	478,055	34,208
District's contributions subsequent to the measurement date	304,962	-
Total	<u>\$ 2,292,899</u>	<u>\$ 307,248</u>

\$304,962 reported as deferred outflows of resources related to pensions resulting from employer contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2021.

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

<u>Year Ended September 30</u>	<u>Amount</u>
2020	\$ 623,721
2021	\$ 542,615
2022	\$ 370,769
2023	\$ 143,584

**ADAMS TOWNSHIP SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS - June 30, 2020**

NOTE I - MICHIGAN PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM (MPSERS) PENSION AND OPEB PLANS (Continued)

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

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

	<u>1% Lower</u>	<u>Discount Rate</u>	<u>1% Higher</u>
District's proportionate share of the net pension liability	\$ 9,800,850	\$ 7,538,744	\$ 5,663,381

Pension Plan Fiduciary Net Position

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

Payable to the Pension Plan

At year end the District is current on all required pension plan payments. Amounts accrued at year end were \$93,674. These amounts represent current payments for June paid in July, accruals for summer pay primarily for teachers and the contributions due funded from state revenue Section 147c restricted to fund the MPSERS Unfunded Actuarial Accrued Liability (UAAL) Stabilization Rate.

OPEB PLAN

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.

**ADAMS TOWNSHIP SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS - June 30, 2020**

NOTE I - MICHIGAN PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM (MPSERS) PENSION AND OPEB PLANS (Continued)

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

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

Contributions

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

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

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

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

Required contributions to the OPEB plan from Adams Township School District were \$159,720 for the year ended September 30, 2019.

OPEB Liabilities

At June 30, 2020, the District reported a liability of \$1,669,701 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of September 30, 2019, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation rolled forward from September 2018. The District's proportion of the net OPEB liability was determined by dividing each employer's statutorily required 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 and 2018, the District's proportion was .02326% and .02220% respectively.

**ADAMS TOWNSHIP SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS - June 30, 2020**

NOTE I - MICHIGAN PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM (MPSERS) PENSION AND OPEB PLANS (Continued)

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

For the year ended June 30, 2020, the District recognized total OPEB expense of \$95,487. This amount excludes contributions funded from state revenue Section 147c restricted to fund the MPSERS Unfunded Actuarial Accrued Liability (UAAL) Stabilization Rate.

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

	Deferred outflows of resources	Deferred inflows of resources
Difference between expected and actual experience	\$ -	\$ 612,661
Changes of assumptions	361,790	-
Net difference between policies and actual earnings on OPEB plan investments	-	29,037
Changes in proportion and differences between reporting using contributions and proportionate share of contributions	210,249	2,315
District's contributions subsequent to the measurement date	132,374	-
Total	<u>\$ 704,413</u>	<u>\$ 644,013</u>

\$132,374 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 pension liability in the year ended June 30, 2021.

Other amounts as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in pension expense as follows:

Year Ended September 30	Amount
2020	\$ (24,952)
2021	\$ (24,952)
2022	\$ (10,445)
2023	\$ (2,548)
2024	\$ (9,077)

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

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

	<u>1% Decrease</u>	<u>Discount Rate</u>	<u>1% Increase</u>
District's proportionate share of the net pension liability	\$ 2,048,140	\$ 1,669,701	\$ 1,351,918

**ADAMS TOWNSHIP SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS - June 30, 2020**

NOTE I - MICHIGAN PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM (MPSERS) PENSION AND OPEB PLANS (Continued)

Sensitivity of the Net OPEB Liability to Healthcare Cost Trend Rate

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

	<u>1% Decrease</u>	<u>Current Healthcare Cost Trend Rate</u>	<u>1% Increase</u>
District's proportionate share of the net pension liability	\$ 1,338,446	\$ 1,669,701	\$ 2,048,095

OPEB Plan Fiduciary Net Position

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

Payable to the OPEB Plan

At year end the District is current on all required OPEB payments. Amounts accrued at year end were \$20,843. These amounts represent current payments for June paid in July, accruals for summer pay primarily for teachers and the contributions due funded from state revenue Section 147c restricted to fund the MPSERS Unfunded Actuarial Accrued Liability (UAAL) Stabilization Rate.

NOTE J - 403(b) RETIREMENT PLAN

The District has a 403(b) plan which is a qualified tax sheltered annuity plan for the benefit of eligible employees. The plan is self administered by the District with a plan year ending December 31. Participants can invest in annuity contracts or custodial accounts which invest in mutual funds. The District is not required to make contributions. Distributions are governed by IRS regulations.

NOTE K- RECONCILIATION OF MDE GRANT REPORTS

The amounts reported as current payments on MDE grant reports prepared by the State of Michigan, reconcile with the federal revenue on the Governmental Funds - Statement of Revenues, Expenditures and Changes in Fund Balances on page 17 as follows:

Total current payments per MDE Reports	\$ 234,403
National School Lunch Program	6,142
Payments received through other sources:	
Food Distributions - Entitlement Commodities	13,730
Medicaid Outreach	91
Small Rural Achievement Grant - REAP	32,326
Total Federal Awards	<u>\$ 275,024</u>

The District expended less than \$750,000 in Federal awards during the fiscal year ended June 30, 2020 and is exempt from Federal Single Audit requirements, thus a schedule of federal financial assistance was not prepared.

**ADAMS TOWNSHIP SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS - June 30, 2020**

NOTE L - RISK MANAGEMENT

The School District is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation), as well as medical benefits provided to employees. The School District has purchased commercial insurance for general liability and employee medical benefit claims and participates in the SEG Self-insurers Workers' Disability Compensation Fund for claims relating to employee injuries. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

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

NOTE M - UPCOMING ACCOUNTING PRONOUNCEMENTS

Governmental Accounting Standards Board (GASB) Statement No. 87, *Leases*, was issued by the GASB in June 2017 and will be effective for the District's 2021 year end. The objective of this Statement is to increase the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financing of the right to use the underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor, is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities.

NOTE N - SUBSEQUENT EVENTS

Management evaluates events occurring subsequent to the date of the financial statements in determining the accounting for and disclosure of transactions and events that affect the financial statements. Subsequent events have been evaluated through the date of the accompanying independent auditor's report, which is the date the financial statements were available to be issued.

Michigan Finance Authority: - On August 20, 2020, the District entered into two one year operating loan note with Michigan Finance Authority.

- Revenue Note Series 2020A-1 is for \$200,000. The interest rate on the note shall not exceed .700 % per annum. The note matures on August 20, 2021.
- Revenue Note Series 2020A-2 is for \$513,000. The interest rate on the note shall not exceed .250 % per annum. The note matures on August 20, 2021.

Retirement incentive was accepted by two teachers in the amount of \$40,000 as of July 2020.

On July 31, 2020 the Governor signed Public Act 146 of 2020 which retroactively reduced the per pupil foundation allowance by \$175 per pupil for the 2019-2020 fiscal year. This reduced the School District's 2019-2020 state aid revenue by \$58,695 and was deducted from the August 20, 2020 state aid payment.

On September 1, 2020, the District was awarded a grant from Portage Health Foundation in the amount of \$29,350 to be used for the purchase of additional supplies, materials and other resources to assist with the District's COVID-19 response and reopening plans.

**ADAMS TOWNSHIP SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS - June 30, 2020**

NOTE N - SUBSEQUENT EVENTS (Continued)

On September 22, 2020 the District was awarded elementary and secondary school relief funds from the Michigan Department of Education in the amount of \$33,352 to be used for the purchase of personal protective equipment and remote learning/technology.

On November 4, 2020 the District was approved for the extended summer food service program from the Michigan Department of Education. The program offers free meals to all students and will run through June 30, 2021.

As a result of the spread of the COVID-19 corona virus, numerous economic uncertainties have arisen. To combat the spread of the COVID-19, the governor of Michigan issued a "stay at home" order beginning on March 23, 2020, that lasted for over 70 days. This order required the closure of all non-essential businesses and required residents to shelter in place. The "stay at home" order, like many others across the country, has disrupted supply chains and affected production and sales across a range of industries. The extent of the impact of COVID-19 on operational and financial performance will depend on certain developments, including the duration and spread of the outbreak, impact on customers, employees and vendors all of which are uncertain and cannot be predicted. At this point, the extent to which COVID-19 may impact the financial condition or results of operations is uncertain.

NOTE O - CHANGE IN ACCOUNTING PRINCIPLE

The net position of the governmental activities and other governmental funds were restated effective July 1, 2019 to reflect the implementation of GASB Statement No. 84, *Fiduciary Activities*.

Governmental Accounting standards Board Statement 84, *Fiduciary Activities*, was issued by GASB in January 2017 and is effective for the District's 2021 year end. The District early implemented this statement as it was originally effective with the 2020 year. The objective of this Statement is to improve guidance regarding identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This Statement establishes criteria for identifying fiduciary activities for all state and local governments. The focus on the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. An activity meeting the criteria should be reported in a fiduciary fund in the basic financial statements. Districts with activities meeting the criteria should present a statement of fiduciary net position and a statement of changes in fiduciary net position,

As a result of implementing this accounting change, Michigan Department of Education established a Special Revenue Fund for Student Activity Fund. The beginning net position of the Student Activity Fund was determined to be \$34,549.

The restatement of net position at the beginning of the year and fund balance at beginning of the year is as follows:

	<u>Fund Balances</u>	
	<u>Other Non-Major Funds</u>	<u>Total Governmental Funds</u>
Fund balances at beginning, as previously stated	\$ 2,789	\$ 4,284,032
Adoption of GASB Statement 84	34,549	34,549
Fund balances at beginning, as restated	<u>\$ 37,338</u>	<u>\$ 4,318,581</u>
		<u>Governmental Activities</u>
Net position at beginning of year, as previously stated		\$ (5,202,921)
Adoption of GASB Statement 84		34,549
Net position at beginning, as restated		<u>\$ (5,168,372)</u>

REQUIRED SUPPLEMENTARY INFORMATION

ADAMS TOWNSHIP SCHOOL DISTRICT
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
Year Ended June 30, 2020

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance Final to Actual</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Local sources	\$ 481,150	\$ 588,184	\$ 590,255	\$ 2,071
State sources	4,101,605	4,140,830	4,096,172	(44,658)
Federal sources	103,939	95,006	94,783	(223)
Total revenues	<u>4,686,694</u>	<u>4,824,020</u>	<u>4,781,210</u>	<u>(42,810)</u>
Expenditures				
Instruction	3,010,676	3,048,828	2,983,709	65,119
Supporting services	1,666,483	1,787,284	1,720,082	67,202
Total expenditures	<u>4,677,159</u>	<u>4,836,112</u>	<u>4,703,791</u>	<u>132,321</u>
Excess (deficiency) of revenues over expenditures	9,535	(12,092)	77,419	89,511
Other financing sources (uses)				
Incoming transfers - other schools	12,000	12,000	6,771	(5,229)
Operating transfers in (out)	(18,829)	(10,757)	(19,862)	(9,105)
Facility/Site improvement	-	(16,000)	(14,375)	1,625
Total other financing sources (uses)	<u>(6,829)</u>	<u>(14,757)</u>	<u>(27,466)</u>	<u>(12,709)</u>
Net change in fund balance	<u>\$ 2,706</u>	<u>\$ (26,849)</u>	49,953	<u>\$ 76,802</u>
Fund balance - Beginning of year			<u>324,771</u>	
Fund balance - End of year			<u>\$ 374,724</u>	

**ADAMS TOWNSHIP SCHOOL DISTRICT
PENSION REQUIREMENTS
Year Ended June 30, 2020**

**SCHEDULE OF THE DISTRICT'S PROPORTIONATE
SHARE OF THE NET PENSION LIABILITY**

Michigan Public School Employees Retirement Plan
Last Six Fiscal Years (Amounts were determined as of 9/30 of each fiscal year)

	<u>9/30/2014</u>	<u>9/30/2015</u>	<u>9/30/2016</u>	<u>9/30/2017</u>	<u>9/30/2018</u>	<u>9/30/2019</u>
A. District's proportion of net pension liability	0.02073 %	0.02062 %	0.01983 %	0.02005 %	0.02124 %	0.02276 %
B. District's proportionate share of net pension liability	\$ 4,566,629	\$ 5,037,151	\$ 4,946,919	\$ 5,194,872	\$ 6,385,290	\$ 7,538,744
C. District's covered payroll	\$ 1,803,198	\$ 1,775,736	\$ 1,645,658	\$ 1,692,460	\$ 1,885,409	\$ 2,034,902
D. District's proportionate share of net pension liability as a percentage of its covered payroll	253.25 %	283.67 %	300.60 %	306.94 %	338.67 %	370.47 %
E. Plan fiduciary net position as a percentage of total pension liability	66.20 %	63.17 %	63.27 %	64.21 %	62.36 %	60.31 %

SCHEDULE OF THE DISTRICT'S CONTRIBUTIONS

Michigan Public School Employees Retirement Plan
Last Six Fiscal Years (Amounts were determined as of 6/30 of each fiscal year)

	<u>6/30/2015</u>	<u>6/30/2016</u>	<u>6/30/2017</u>	<u>6/30/2018</u>	<u>6/30/2019</u>	<u>6/30/2020</u>
A. Statutorily required contributions	\$ 376,532	\$ 333,335	\$ 320,046	\$ 333,613	\$ 354,436	\$ 382,093
B. Contributions in relation to statutorily required contributions	376,445	333,335	320,025	333,613	355,420	382,094
C. Contribution deficiency (excess)	<u>\$ 87</u>	<u>\$ -</u>	<u>\$ 21</u>	<u>\$ -</u>	<u>\$ (984)</u>	<u>\$ (1)</u>
D. District's covered payroll	\$ 1,786,758	\$ 1,740,269	\$ 1,694,913	\$ 1,865,711	\$ 2,000,605	\$ 2,109,172
E. Contributions as a percentage of covered payroll	21.00 %	19.00 %	18.88 %	17.88 %	17.77 %	18.12 %

**ADAMS TOWNSHIP SCHOOL DISTRICT
OPEB REQUIREMENTS
Year Ended June 30, 2020**

**SCHEDULE OF THE DISTRICT'S PROPORTIONATE
SHARE OF NET OPEB LIABILITY**

Michigan Public School Employees Retirement Plan
(Amounts were determined as of 9/30 of each plan year)

	<u>9/30/2017</u>	<u>9/30/2018</u>	<u>9/30/2019</u>
A. District's proportion of net OPEB liability	0.01995 %	0.02220 %	0.02326 %
B. District's proportionate share of net OPEB liability	\$ 1,766,753	\$ 1,764,914	\$ 1,669,701
C. District's covered payroll	\$ 1,692,460	\$ 1,885,409	\$ 2,034,902
D. District's proportionate share of net OPEB liability as a percentage of its covered payroll	104.39 %	93.61 %	82.05 %
E. Plan fiduciary net position as a percentage of total OPEB liability	36.39 %	42.95 %	48.46 %

SCHEDULE OF THE DISTRICT'S OPEB CONTRIBUTIONS

Michigan Public School Employees Retirement Plan
(Amounts were determined as of 6/30 of each fiscal year)

	<u>6/30/2018</u>	<u>6/30/2019</u>	<u>6/30/2020</u>
A. Statutorily required contributions	\$ 134,973	\$ 155,787	\$ 166,538
B. Contributions in relation to statutorily required contributions	134,973	155,787	166,538
C. Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
D. District's covered payroll	\$ 1,865,711	\$ 2,000,605	\$ 2,109,172
E. Contributions as a percentage of covered payroll	7.23 %	7.79 %	7.90 %

**ADAMS TOWNSHIP SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - June 30, 2020**

Pension Information

Ten years of data are required in the pension related schedules. The number of years presented as of June 30, 2020 represent the number of years since the accounting standard requiring these schedules came into effect.

NOTE A - CHANGE OF BENEFIT TERMS

There were no changes of benefit terms in 2019.

NOTE B - CHANGE OF ASSUMPTIONS

During the year, MPSERS approved a decrease in the discount rate for the September 30, 2019 annual actuarial valuation of 0.25 percent from 7.05% to 6.8% for the non-hybrid plan.

OPEB Information

Ten years of data are required in the OPEB related schedules. The number of years presented as of June 30, 2020 represent the number of years since the accounting standard requiring these schedules came into effect.

NOTE A - CHANGE OF BENEFIT TERMS

There were no changes of benefit terms in 2019.

NOTE B - CHANGE OF ASSUMPTIONS

During the year, MPSERS approved a decrease in the discount rate for the September 30, 2019 annual actuarial valuation of 0.20 percent from 7.15% to 6.95% for the OPEB plan.

OTHER SUPPLEMENTAL FINANCIAL INFORMATION

ADAMS TOWNSHIP SCHOOL DISTRICT
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGE IN FUND BALANCE
Year Ended June 30, 2020

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues			
Local sources			
Taxes	\$ 417,144	\$ 405,632	\$ (11,512)
Penalties and interest	615	1,490	875
Earnings on investments	5,500	7,307	1,807
Rentals	11,150	12,750	1,600
Athletics	51,560	51,621	61
Charges for services	3,920	3,921	1
Contributions	70,000	69,631	(369)
Local grant	900	2,700	1,800
Intermediate Sources	15,000	16,400	1,400
Miscellaneous	12,395	18,803	6,408
Total local sources	<u>588,184</u>	<u>590,255</u>	<u>2,071</u>
State sources			
Unrestricted state aid	3,514,410	3,454,315	(60,095)
Restricted grants			
Special education	84,115	84,123	8
MPSERS Section 147	335,265	338,940	3,675
At-risk	185,435	197,188	11,753
Early literacy/summer reading	6,855	6,857	2
Data collection	12,565	12,561	(4)
CTE per pupil incentive	2,185	2,188	3
Total restricted grants	<u>626,420</u>	<u>641,857</u>	<u>15,437</u>
Total state sources	<u>4,140,830</u>	<u>4,096,172</u>	<u>(44,658)</u>
Federal sources			
Title I	40,750	40,753	3
Title II	11,545	11,613	68
Title IV	10,000	10,000	-
REAP	32,326	32,326	-
Medicaid outreach	385	91	(294)
Total federal sources	<u>95,006</u>	<u>94,783</u>	<u>(223)</u>
Total revenues	<u>4,824,020</u>	<u>4,781,210</u>	<u>(42,810)</u>
Expenditures			
Instruction			
Basic program			
Elementary school	1,353,621	1,313,475	40,146
High school	1,243,837	1,213,026	30,811
Total basic program	<u>2,597,458</u>	<u>2,526,501</u>	<u>70,957</u>
Added needs			
Special education	204,136	200,124	4,012
Compensatory education	61,795	62,367	(572)
At-risk	185,439	194,717	(9,278)
Total added needs	<u>451,370</u>	<u>457,208</u>	<u>(5,838)</u>
Total instruction	<u>3,048,828</u>	<u>2,983,709</u>	<u>65,119</u>

ADAMS TOWNSHIP SCHOOL DISTRICT
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGE IN FUND BALANCE (Continued)
Year Ended June 30, 2020

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Supporting services			
Pupil			
Guidance	745	741	4
Other pupil services	3,942	3,624	318
Total pupil	<u>4,687</u>	<u>4,365</u>	<u>322</u>
Instructional staff			
Improvement of instruction	565	352	213
Library	27,305	26,807	498
Instruction related technology	1,180	1,090	90
Total instructional staff	<u>29,050</u>	<u>28,249</u>	<u>801</u>
General administration			
Board of education	33,328	30,510	2,818
Executive administration	247,767	249,545	(1,778)
Total general administration	<u>281,095</u>	<u>280,055</u>	<u>1,040</u>
School administration			
Office of principal - Elementary school	172,577	170,320	2,257
Office of principal - High school	202,857	205,088	(2,231)
Total school administration	<u>375,434</u>	<u>375,408</u>	<u>26</u>
Business-fiscal services	65,100	64,646	454
Operations & maintenance	576,595	518,822	57,773
Pupil transportation	207,630	206,890	740
Athletics	153,038	147,396	5,642
Technical support	83,105	83,096	9
Other supporting services	11,550	11,155	395
Total supporting services	<u>1,787,284</u>	<u>1,720,082</u>	<u>67,202</u>
Total expenditures	<u>4,836,112</u>	<u>4,703,791</u>	<u>132,321</u>
Excess (deficiency) of revenues over expenditures	(12,092)	77,419	89,511
Other financing sources (uses)			
Operating transfers in (out)	(10,757)	(19,862)	(9,105)
Facility/Site improvement	(16,000)	(14,375)	1,625
Incoming transfers - other schools	12,000	6,771	(5,229)
Total other financing sources (uses)	<u>(14,757)</u>	<u>(27,466)</u>	<u>(12,709)</u>
Net change in fund balance	<u>\$ (26,849)</u>	49,953	<u>\$ 76,802</u>
Fund balance - Beginning of year		<u>324,771</u>	
Fund balance - End of year		<u>\$ 374,724</u>	

ADAMS TOWNSHIP SCHOOL DISTRICT
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
June 30, 2020

	<u>Food Service</u> <u>Fund</u>	<u>Student</u> <u>Activities Fund</u>	<u>Total</u>
Assets			
Cash and cash equivalents	\$ 8,292	\$ 27,809	\$ 36,101
Receivables	3,613	-	3,613
Due from governmental units	<u>7,280</u>	<u>-</u>	<u>7,280</u>
Total assets	<u>\$ 19,185</u>	<u>\$ 27,809</u>	<u>\$ 46,994</u>
Liabilities			
Due to other funds	\$ 7,542	\$ 246	\$ 7,788
Other liabilities	<u>4,599</u>	<u>-</u>	<u>4,599</u>
Total liabilities	<u>12,141</u>	<u>246</u>	<u>12,387</u>
Fund balances			
Restricted			
Food service	7,044	-	7,044
Committed for student activities	<u>-</u>	<u>27,563</u>	<u>27,563</u>
Total fund balances	<u>7,044</u>	<u>27,563</u>	<u>34,607</u>
Total liabilities and fund balance	<u>\$ 19,185</u>	<u>\$ 27,809</u>	<u>\$ 46,994</u>

ADAMS TOWNSHIP SCHOOL DISTRICT
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
Year Ended June 30, 2020

	<u>Food Service</u> <u>Fund</u>	<u>Student</u> <u>Activities Fund</u>	<u>Total</u>
Revenues			
Local sources	\$ 54,696	\$ 40,537	\$ 95,233
State sources	9,113	-	9,113
Federal sources	<u>180,241</u>	<u>-</u>	<u>180,241</u>
Total revenues	<u>244,050</u>	<u>40,537</u>	<u>284,587</u>
Expenditures			
Food services	246,657	-	246,657
Student activities	<u>-</u>	<u>47,523</u>	<u>47,523</u>
Total expenditures	<u>246,657</u>	<u>47,523</u>	<u>294,180</u>
Excess (deficiency) of revenues over expenditures	<u>(2,607)</u>	<u>(6,986)</u>	<u>(9,593)</u>
Other financing sources (uses)			
Operating transfers in (out)	<u>6,862</u>	<u>-</u>	<u>6,862</u>
Total other financing sources (uses)	<u>6,862</u>	<u>-</u>	<u>6,862</u>
Net change in fund balances	4,255	(6,986)	(2,731)
Fund balances - Beginning of year, restated	<u>2,789</u>	<u>34,549</u>	<u>37,338</u>
Fund balances - End of year	<u>\$ 7,044</u>	<u>\$ 27,563</u>	<u>\$ 34,607</u>

COMMUNICATIONS SECTION

RUKKILA | NEGRO AND ASSOCIATES

Certified Public Accountants, PC

310 Sheldon Avenue, Houghton, Michigan 49931
906.482.6601 906.482.9046 fax www.rukkilanegro.com

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

To the Board of Education
Adams Township School District
Painesdale, Michigan

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Adams Township School District as of and for the year then ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated December 9, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) 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 the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

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

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

Compliance and Other Matters

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

Purpose of this Report

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

*Rukkila, Negro & Associates,
Certified Public Accountants, PC*

December 9, 2020

RUKKILA | NEGRO AND ASSOCIATES

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COMMUNICATION WITH THOSE CHARGED WITH GOVERNANCE

To the Board of Education
Adams Township School District
Painesdale, Michigan

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Adams Township School District for the year ended June 30, 2020. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and, if applicable Government Auditing Standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated September 4, 2020. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Adams Township School District are described in Note A to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year ended June 30, 2020. We noted no transactions entered into by Adams Township School District during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

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

Management's estimate of the liability of the payout for the employee compensated absences upon their retirement is based on expected payout:

- We evaluated the key factors and assumptions used to develop the balance of compensated absences in determining that it is reasonable in relation to the financial statements taken as a whole.

Management's estimate of the lives of capital assets:

- We evaluated the key factors and assumptions used to develop the estimated life span of the capital assets in determining that it is reasonable in relation to the financial statements taken as a whole.

Management's estimate of the net pension and net OPEB liability:

- We evaluated the key factors and assumptions used to develop the liabilities related to the Municipal Employees' Retirement System of Michigan, which are based on actuarial valuations.

Difficulties Encountered in Performing the Audit

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

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to each opinion unit's financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated December 9, 2020.

Management Consultations with Other Independent Accountants

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

Other Audit Findings or Issues

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

Other Matters

We applied certain limited procedures to the budgetary comparison schedules which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on RSI.

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

Restriction on Use

This information is intended solely for the use of the Adams Township School District board and management and is not intended to be and should not be used for anyone other than these specified parties.

*Rukkila, Negro & Associates,
Certified Public Accountants, PC*

December 9, 2020

**ADAMS TOWNSHIP SCHOOL DISTRICT
COMMENTS AND RECOMMENDATIONS
JUNE 30, 2020**

During our audit we became aware of an opportunity for strengthening internal controls and operating efficiencies. The following item summarizes our comment and suggestion regarding this matter.

We will review the status of this comment during our next audit engagement. We have already discussed this comment and suggestion with various personnel, and we will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations.

Audit Submission

The District's financial audit was not submitted within the required timeline. Each public school district must file one copy of their audit reporting package and management letter with Michigan Department of Education by December 1, 2020.

For late audit reports, §18(10) of the State School Aid Act requires that Michigan Department of Education withhold 100% of the district's annual state aid beginning with the next scheduled payment, until the audit is received.