



ST. JOSEPH PUBLIC SCHOOLS

FINANCIAL REPORT

WITH SUPPLEMENTARY INFORMATION

JUNE 30, 2020

ST. JOSEPH PUBLIC SCHOOLS
St. Joseph, Michigan
June 30, 2020

BOARD OF EDUCATION

		<u>Term Expires</u>
Barry Conybeare	President	December 31, 2022
Kerry Wright II	Vice-President	December 31, 2024
Amy Marohn	Secretary	December 31, 2020
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Rick Dyer	Trustee	December 31, 2022
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Thomas Bruce, Ed. D.

CHIEF FINANCIAL OFFICER

Brenda Graham

St. Joseph Public Schools
St. Joseph, Michigan
June 30, 2020

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INDEPENDENT AUDITOR'S REPORT

To the Board of Education of
St. Joseph Public Schools
St. Joseph, Michigan

Report to the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of St. Joseph Public Schools (the "District"), as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

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 St. Joseph Public Schools as of June 30, 2020, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Emphasis of Matter – Change in Accounting Principle

As discussed in Note 20 to the financial statements, the District implemented Governmental Accounting Standards Board Statement No. 84, *Fiduciary Activities*. Our opinion is not modified with respect to this matter.

INDEPENDENT AUDITOR'S REPORT, CONCLUDED

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The combining nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 30, 2020, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Respectfully submitted,



Certified Public Accountants

St. Joseph, Michigan
October 30, 2020

St. Joseph Public Schools, a K-12 District located in Berrien County, Michigan, has adopted the provisions of Governmental Accounting Standards Board Statement 34 ("GASB 34"). The Management's Discussion and Analysis, a requirement of GASB 34, is intended to be discussion and analysis of the financial results for the fiscal year ended June 30, 2020 of the management of St. Joseph Public Schools (the "District").

Generally accepted accounting principles ("GAAP") and GASB 34 requires the reporting of two types of financial statements: District-Wide Financial Statements and Fund Financial Statements.

Fund Financial Statements

The fund level financial statements are reported on a modified accrual basis. Only those assets that are "measurable" and "currently available" are reported. Liabilities are recognized to the extent they are normally expected to be paid with current financial resources.

The fund statements are formatted to comply with the legal requirements of the Michigan Department of Education's "Accounting Manual." In the State of Michigan, the District's major instructional and instructional support activities are reported in the General Fund. Additional activities are reported in their relevant funds including: Permanent Funds, Capital Projects Fund, School Service Fund, Debt Service Fund, and the Student Activity Fund.

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

District-Wide Financial Statements

The District-wide financial statements are full accrual basis statements. They report all of the District's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, both short and long term, regardless if they are "currently available" or not. For example, assets that are restricted for use in the Debt Funds solely for the payment of long term principal or interest are grouped with unrestricted assets of the General Fund. Capital assets and long-term obligations of the District are reported in the Statement of Net Position of the District-wide financial statements.

The District as Trustee — Reporting the District's Fiduciary Responsibilities

The District is the trustee, or fiduciary, for its custodial funds. All of the District's fiduciary activities are reported in separate statements of fiduciary net position. These are excluded activities from the District's other financial statements because the District cannot use these assets to finance its operations. The District is responsible for ensuring that the assets reported in these funds are used for their intended purposes. The Fiduciary Fund account for assets held by the District in a trustee capacity or as an agent for various parent groups and related activities.

Summary of Net Position

The net deficit of the District is summarized in the table below:

	June 30, 2020	June 30, 2019 (Restated)
Assets:		
Cash and cash equivalents	\$ 1,839,906	\$ 1,506,497
Investments	6,932,431	3,083,597
Receivables	3,995,223	4,014,500
Other assets	120,617	120,296
Net capital assets	59,813,434	61,198,053
Total Assets	\$ 72,701,611	\$ 69,922,943
Deferred Outflows of Resources:		
Deferred interest charges on bond issuance	\$ 1,386,107	\$ 1,464,253
Deferred outflows of resources from pensions	15,122,760	15,455,071
Deferred outflows of resources from OPEB	3,896,528	2,296,408
Total Deferred Outflows of Resources	\$ 20,405,395	\$ 19,215,732
Liabilities:		
Accounts payable and other accrued liabilities	\$ 3,758,854	\$ 3,601,769
Notes and bonds payable	42,108,024	44,332,641
Net pension liability	52,695,837	47,532,710
Net OPEB liability	11,601,892	12,457,608
Total Liabilities	\$ 110,164,607	\$ 107,924,728
Deferred Inflows of Resources:		
Deferred inflows of resources from pensions	\$ 3,939,937	\$ 5,721,855
Deferred inflows of resources from OPEB	4,625,288	2,994,477
Total Deferred Inflows of Resources	\$ 8,565,225	\$ 8,716,332
Net Position (Deficit):		
Net investment in capital assets	\$ 18,013,616	\$ 18,329,666
Restricted for:		
Capital projects	3,013,060	102,788
Student activities	476,608	467,394
Debt service	631,062	728,880
Unrestricted	(47,757,172)	(46,663,718)
Total Net Position (Deficit)	\$ (25,622,826)	\$ (27,034,990)

Analysis of Financial Position

During fiscal year ended June 30, 2020, the District’s net position increased by \$1,412,164, a few of the significant factors affecting net position during the year are discussed below:

A. General Operations

The District’s total revenues decreased by \$529,501 for the fiscal year ended June 30, 2020. Total expenses increased by \$660,320 for the fiscal year ended June 30, 2020 due to an increase in instructional and instructional support services.

B. Debt Activity

The District made principal payments on bonds and note payable long-term debt obligations which reduced the amount of the District’s long-term liabilities. Principal payments made during the year ended June 30, 2020 totaled \$2,295,000 which reduced the 2010 Series A Bonds, 2013 Refunding Bonds, 2015 Refunding Bonds and the 2016 School Building and Equipment Bond. The 2016 bonds are to be used in all school buildings for technology improvements, safety and security enhancements, and bus purchasing.

In March 2020, the remaining 2010 Series A Bonds were refunded and the District issued \$4,855,000 of 2020 Refunding Bonds, along with the issuance of the Series II Bonds noted below in section D. The District is saving more than \$550,000 of taxpayer money with the refunding of our 2010 Refunding Bonds.

The District also made payments on their capital lease payable in the amount of \$20,571 during the fiscal year ended June 30, 2020.

C. Net Investment in Capital Assets

The District’s capital assets, net of accumulated depreciation decreased by \$1,384,619 during the year. The net activity for the year is summarized in the following table:

	Beginning Balance	Additions	Deletions and Adjustments and Reclassifications	Ending Balance
Capital Assets	\$ 91,443,331	\$ 1,169,121	\$ -	\$ 92,612,452
Less: accumulated depreciation	(30,245,278)	(2,553,740)	-	(32,799,018)
Net investment capital outlay	\$ 61,198,053	\$(1,384,619)	\$ -	\$ 59,813,434

This year, the District's additions of \$1,169,121 included multiple building and land improvements in all of the schools. The District’s had no deletions.

D. Capital Projects

In March 2020, the District issued \$2,765,000 of School Building Equipment Bonds, Series II. The bonds are to be used in all school buildings for technology improvements, safety and security enhancements, and bus purchases. The bonds were recorded in the 2020 Capital Projects Bond Fund.

Results of Operations

The District-Wide results of operations for the fiscal years ended June 30, is summarized in the table below:

	2020	2019 (Restated)
Revenues:		
General Revenues:		
Property taxes levied for general operations	\$ 5,901,737	\$ 5,876,349
Property taxes levied for debt service	4,004,341	4,084,149
Property taxes levied for capital projects	1,071,619	1,045,678
State of Michigan unrestricted foundation aid	17,754,828	17,418,893
Interest and investment earnings	101,792	123,744
Other general revenues	285,536	58,625
Total general revenues	<u>\$ 29,119,853</u>	<u>\$ 28,607,438</u>
Capital Grants and Contributions:		
Capital contributions	\$ 17,380	\$ 1,298,844
Total capital grants and contributions	<u>\$ 17,380</u>	<u>\$ 1,298,844</u>
Operating Grants and Contributions:		
Federal	\$ 764,635	\$ 815,779
State of Michigan	4,125,563	4,024,108
Other operating grants	688,713	625,823
Total operating grants	<u>\$ 5,578,911</u>	<u>\$ 5,465,710</u>
Charges for Services:		
Food service	\$ 496,148	\$ 672,603
Student activities	827,474	867,394
Athletics	151,016	168,760
Other charges for services	71,042	110,576
Total charges for services	<u>\$ 1,545,680</u>	<u>\$ 1,819,333</u>
Total revenues	<u>\$ 36,261,824</u>	<u>\$ 37,191,325</u>
Expenses:		
Instruction and instructional support	\$ 19,431,260	\$ 17,881,857
Support services	8,137,709	9,998,874
Community services	35,886	38,009
Food service	1,134,114	1,324,707
Student activities	818,260	867,394
Athletics	888,203	813,101
Interest on long-term debt	1,850,488	1,683,641
Depreciation (unallocated)	2,553,740	1,981,757
Total expenses	<u>\$ 34,849,660</u>	<u>\$ 34,589,340</u>
Change in Net Position	<u>\$ 1,412,164</u>	<u>\$ 2,601,985</u>
Beginning Net Position	<u>(27,034,990)</u>	<u>(29,636,975)</u>
Ending Net Position	<u><u>\$ (25,622,826)</u></u>	<u><u>\$ (27,034,990)</u></u>

State of Michigan Unrestricted Aid (Net State Foundation Grant)

The State of Michigan unrestricted aid is determined by the following variables:

1. State of Michigan State Aid Act per student foundation allowance,
2. Student Enrollment - Blended at 90 percent of current year fall count and 10 percent of the current year winter count, and
3. The District’s non-homestead levy.

Per Student Foundation Allowance

Annually, the State of Michigan sets the per student foundation allowance. The Districts' foundation allowance, paid by the State of Michigan, for the fiscal year 2020 was \$8,117 per student which is a \$240 increase from the fiscal year 2019 foundation allowance of \$7,877.

The State of Michigan has announced the per pupil foundation at \$8,117 for fiscal year 2020-2021.

Student Enrollment

The District’s enrollment increased from the prior year’s student count. The following summarizes blended student enrollments in the past five years:

Fiscal Year	Student FTE	FTE Change from Prior Year
2019-2020	3,020	21
2018-2019	2,999	36
2017-2018	2,963	(28)
2016-2017	2,991	66
2015-2016	2,925	8

Subsequent to year end June 30, 2020, preliminary student enrollments for 2020-2021 indicate that enrollments have decreased by approximately 60 students, likely due to the coronavirus pandemic.

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

The District levies property taxes for operations (General Fund) of 18 mills on Non-Personal Residence exemption properties and 6 mills on Commercial Personal Property. Under Michigan law, the taxable levy is based on the taxable valuation of the properties. Annually the taxable valuation increase in property values is capped at the rate of the prior year’s CPI increase or 5 percent, whichever is less. At the time of sale, a property’s taxable valuation is readjusted to the State Equalized Value, which is, theoretically, 50 percent of market value. The District's non-homestead property levy for the 2019-2020 fiscal year generated \$5,882,610. The funds received from the non-homestead tax levy increased by .51 percent from the prior year.

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

The following summarizes the District's non-homestead levy over the past five years:

Fiscal Year	Non-Homestead Tax Levy	% Increase (decrease) from Prior Year
2019-2020	\$ 5,882,610	0.51%
2018-2019	5,852,841	2.39%
2017-2018	5,715,959	1.50%
2016-2017	5,631,533	-0.70%
2015-2016	5,671,186	0.60%

Debt Administration and Capital Projects Sinking Fund

The District’s debt and capital projects sinking fund levies are based on the taxable valuation of all properties: homestead and non-homestead. The debt fund levy is used to pay principal and interest on bond obligations and the capital projects sinking fund is for capital improvements in the District. The taxpayers have authorized debt levies that will fund the debt principal payments of \$42,868,387 through 2035.

For 2019-2020, the District's debt millage levy was 3.72 mills that generated a levy of \$3,990,266. The capital projects sinking fund levy was .9946 mills and generated a levy of \$1,063,771.

Food Sales to Students & Adults (School Lunch Program)

The total expenditures in the Food Service Fund exceeded the revenues and transfers in for the year by \$27,476. This year, the District received \$20,015 less in federal sources. The District’s food and milk sales to students and adults decreased by \$176,158. This was a direct result of the shutdown due to the coronavirus pandemic and subsequent emergency feeding program plus the requirement to continue to pay staff.

Student Activity Fund

The Student Activity Fund is made up of various student organization activities.

During the 2019-20 fiscal year, GASB No. 84 was implemented requiring student organizations to be reported as a special revenue fund. Fund balance as of July 1, 2019 was restated to reflect the change.

General Fund Expenditures Budget vs. Actual—Five Year History

	Expenditures Preliminary Budget	Expenditures Final Budget	Expenditures Final Audit	Variance: Audit vs. Prelim Budget	Variance: Audit vs. Final Budget
2019-2020	\$ 28,933,077	\$ 29,756,455	\$ 28,487,283	1.54%	4.27%
2018-2019	27,785,993	28,811,875	28,494,358	-2.55%	1.10%
2017-2018	26,653,619	27,165,577	27,019,483	-1.37%	0.54%
2016-2017	25,602,864	26,512,421	25,948,977	-1.35%	2.13%
2015-2016	24,710,094	25,652,143	25,535,507	-3.34%	0.45%
Five Year Average (Over/-Under) Budget				-1.41%	1.70%

General Fund Revenues Budget vs. Actual—Five Year History

	Revenues Preliminary Budget	Revenues Final Budget	Revenues Final Audit	Variance: Audit vs. Prelim Budget	Variance: Audit vs. Final Budget
2019-2020	\$ 28,946,424	\$ 29,923,542	\$ 29,261,090	1.09%	-2.21%
2018-2019	28,130,861	29,138,070	29,141,437	3.59%	0.01%
2017-2018	27,091,421	27,439,769	27,459,874	1.36%	0.07%
2016-2017	25,820,265	26,918,569	26,938,017	4.33%	0.07%
2015-2016	24,696,302	25,630,045	25,656,217	3.89%	0.10%
	Five Year Average (Over/-Under) Budget			2.85%	-0.39%

Original vs. Final Budget

The Uniform Budget and Accounting Act of the State of Michigan requires that the local Board of Education approve the original budget for the upcoming fiscal year prior to July 1, the start of the fiscal year. As a matter of practice, the District amends its budget during the school year. For the fiscal year June 30, 2020, the budget was amended in December, March, and June of 2020.

Factors Bearing on the District’s Future

Our elected officials and administration considered many factors when setting the School District’s 2020-2021 fiscal year budget. One of the most important factors affecting the budget is our student count. The State Foundation Allowance is determined by multiplying the blended student count by the foundation allowance per pupil. The blended count for the 2020-2021 fiscal year is based on 75 percent of the prior year blend and 25 percent of the current year blend (10 percent and 90 percent of the February 2020 and September 2020 student counts, respectively). The 2020-2021 fiscal year budget was adopted in June 2020, based on an estimated number of students that will be enrolled in September 2020. Approximately 75 percent of total General Fund revenue is from the foundation allowance. Under State law, the School District cannot assess additional property tax revenue for general operations. As a result, School District funding is heavily dependent on the State’s ability to fund local school operations. Based on early enrollment data at the start of the 2020 fiscal year, we anticipate that the fall student count could be lower for the estimate used in creating the 2020-2021 fiscal year operating budget. Once the final count and related per pupil funding are validated the budget will then be amended.

With the current Michigan Coronavirus situation, students have been given the choice of online or in-person instruction for the 2020/2021 school year, with about 20% anticipated to opt for remote learning. In addition, federal funds have been allocated to the District to help offset some of the costs associated with the current pandemic.

Contacting the District’s Financial Management

The financial report is designed to provide the District’s citizens, taxpayers, customers, investors, and creditors with a general overview of the District’s finances and to demonstrate the District’s accountability for money it receives. If you have questions about this report or need additional financial information, contact our Business Department of St. Joseph Public Schools at 3275 Lincoln Avenue, St. Joseph, Michigan.

	<u>Governmental Activities</u>
Assets	
Cash and cash equivalents	\$ 1,839,906
Investments	6,932,431
Accounts receivables	292,643
Due from other governmental units	3,702,580
Inventories	17,605
Prepaid expenditures	103,012
Capital assets, not being depreciated	1,077,901
Capital assets, net of accumulated depreciation	58,735,533
Total Assets	<u>\$ 72,701,611</u>
Deferred Outflows of Resources	
Deferred interest charges on bond issuance	\$ 1,386,107
Deferred outflows of resources related to pensions	15,122,760
Deferred outflows of resources related to OPEB	3,896,528
Total Deferred Outflows of Resources	<u>\$ 20,405,395</u>
Liabilities	
Accounts payable	\$ 106,971
Accrued payroll and other liabilities	2,926,310
Unearned revenue	169,635
Accrued interest payable	312,222
Due to custodial fund	5,434
Noncurrent Liabilities:	
Capital lease - due within one year	21,965
Notes and bonds payable - due within one year	2,916,024
Compensated absences - due within one year	18,263
Capital lease - due in more than one year	33,690
Notes and bonds payable - due in more than one year	39,192,000
Compensated absences - due in more than one year	164,364
Net pension liability	52,695,837
Net OPEB liability	11,601,892
Total Liabilities	<u>\$ 110,164,607</u>
Deferred Inflows of Resources	
Deferred inflows of resources related to pensions	\$ 3,939,937
Deferred inflows of resources related to OPEB	4,625,288
Total Deferred Inflows of Resources	<u>\$ 8,565,225</u>
Net Position (Deficit)	
Net investment in capital assets	\$ 18,013,616
Restricted for:	
Capital Projects	3,013,060
Student Activities	476,608
Debt Service	631,062
Unrestricted	(47,757,172)
Total Net Position (Deficit)	<u>\$ (25,622,826)</u>

The Notes to Financial Statements are an integral part of this statement.

ST. JOSEPH PUBLIC SCHOOLS

STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2020

Functions/Programs	Program Revenues				Governmental
	Expenses	Charges for Services	Operating Grants/Contributions	Capital Grants/Contributions	Net (Expense) Revenue and Changes in Net Position
Primary government -					
Governmental activities:					
Instruction	\$ 19,431,260	\$ 31,412	\$ 2,800,936	\$ -	\$ (16,598,912)
Support services	8,137,709	39,630	2,301,808	17,380	(5,778,891)
Community services	35,886	-	-	-	(35,886)
Food services	1,134,114	496,148	476,167	-	(161,799)
Student activities	818,260	827,474			9,214
Athletics	888,203	151,016	-	-	(737,187)
Interest on long-term debt	1,850,488	-	-	-	(1,850,488)
Depreciation (unallocated)	2,553,740	-	-	-	(2,553,740)
	<u>\$ 34,849,660</u>	<u>\$ 1,545,680</u>	<u>\$ 5,578,911</u>	<u>\$ 17,380</u>	<u>\$ (27,707,689)</u>
General revenues:					
Taxes:					
Property taxes, levied for general purposes				\$ 5,901,737	
Property taxes, levied for debt purposes				4,004,341	
Property taxes, levied for capital project purposes				1,071,619	
State aid not restricted to specific purposes				17,754,828	
Interest and investment earnings				101,792	
Other				285,536	
Total general revenues				<u>\$ 29,119,853</u>	
Change in Net Position					\$ 1,412,164
Net Position (Deficit) - beginning of year, as restated (Note 20)					<u>(27,034,990)</u>
Net Position (Deficit) - end of year					<u>\$ (25,622,826)</u>

The Notes to Financial Statements are an integral part of this statement.

ST. JOSEPH PUBLIC SCHOOLS

**BALANCE SHEET – GOVERNMENTAL FUNDS
AS OF JUNE 30, 2020**

	General Fund	Other Non-Major Governmental Funds	Total
Assets			
Cash and cash equivalents	\$ 1,082,122	\$ 757,784	\$ 1,839,906
Investments	3,560,757	3,371,674	6,932,431
Accounts receivable	292,643	-	292,643
Due from other governmental funds	2,761	7,648	10,409
Due from other governmental units	3,609,825	92,755	3,702,580
Inventory	-	17,605	17,605
Total Assets	\$ 8,548,108	\$ 4,247,466	\$ 12,795,574
Liabilities, Deferred Inflows of Resources and Fund Balances			
Liabilities			
Accounts payable	\$ 88,729	\$ 18,242	\$ 106,971
Accrued payroll and related liabilities	2,926,310	-	2,926,310
Unearned revenue	91,625	78,010	169,635
Due to custodial funds	-	5,434	5,434
Due to other governmental funds	7,605	2,804	10,409
Total Liabilities	\$ 3,114,269	\$ 104,490	\$ 3,218,759
Deferred Inflows of Resources			
Receivables for use in subsequent year "unavailable revenue"	\$ 12,803	\$ -	\$ 12,803
Fund Balances			
Non-spendable - inventory	\$ -	\$ 17,605	\$ 17,605
Restricted for debt retirement	-	631,062	631,062
Restricted for capital projects	-	3,013,060	3,013,060
Restricted for food service	-	4,641	4,641
Restricted for student activities	-	476,608	476,608
Assigned for 2020-2021 budget deficit	1,250,090	-	1,250,090
Unassigned	4,170,946	-	4,170,946
Total Fund Balances	\$ 5,421,036	\$ 4,142,976	\$ 9,564,012
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 8,548,108	\$ 4,247,466	\$ 12,795,574

The Notes to Financial Statements are an integral part of this statement.

ST. JOSEPH PUBLIC SCHOOLS**RECONCILIATION OF BALANCE SHEET OF GOVERNMENTAL FUNDS TO NET POSITION
AS OF JUNE 30, 2020**

Total Fund Balances - Governmental Funds	\$ 9,564,012
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Deferred outflows of resources related to:	
Pensions	15,122,760
OPEB	3,896,528
Deferred interest charges from bond refundings not capitalized in the governmental funds	1,386,107
Contributions receivable earned but not received within 60 days	12,803
Prepaid bond insurance costs	103,012
Capital assets used in governmental activities are not financial resources and are not reported in the funds.	
Cost of the capital assets	92,612,452
Accumulated depreciation	(32,799,018)
Long-term liabilities are not due and payable in the current period and are not reported in the funds:	
Notes and bonds payable	(41,055,000)
Capital lease	(55,655)
Bond premium associated with bonds	(1,053,024)
Compensated absences	(182,627)
Net pension liability	(52,695,837)
Net OPEB liability	(11,601,892)
Deferred inflows of resources related to pension changes in assumptions and changes in differences actual earnings on plan investments	
Pensions	(2,162,311)
OPEB	(4,625,288)
Deferred inflows from revenue in support of pension contributions made subsequent to the measurement	(1,777,626)
Accrued interest payable is not included as a liability in governmental funds	(312,222)
Total Net Position (Deficit) - Governmental Activities	\$ (25,622,826)

The Notes to the Financial Statements are an integral part of this statement.

ST. JOSEPH PUBLIC SCHOOLS

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS YEAR ENDED JUNE 30, 2020

	General Fund	Other Non-Major Governmental Funds	Total
Revenues			
Property taxes	\$ 5,901,737	\$ 5,075,960	\$ 10,977,697
Local sources	450,138	1,341,002	1,791,140
State sources	21,827,425	52,966	21,880,391
Federal sources	341,434	423,201	764,635
Interdistrict sources	530,192	-	530,192
Athletic sources	151,016	-	151,016
Earnings on investments	59,126	42,666	101,792
Miscellaneous revenue	-	64,961	64,961
Total Revenues	\$ 29,261,068	\$ 7,000,756	\$ 36,261,824
Expenditures			
Instruction and instructional support services	\$ 17,742,592	\$ -	\$ 17,742,592
Supporting services	9,891,737	176,052	10,067,789
Food service	-	1,009,041	1,009,041
Student activities	-	818,260	818,260
Community services	32,296	-	32,296
Athletics	811,418	-	811,418
Capital outlay	-	1,169,121	1,169,121
Debt service:			
Principal on long-term debt	-	2,295,000	2,295,000
Interest on long-term debt	-	1,667,593	1,667,593
Total Expenditures	\$ 28,478,043	\$ 7,135,067	\$ 35,613,110
Excess (Deficiency) of Revenues Over (Under) Expenditures	\$ 783,025	\$ (134,311)	\$ 648,714
Other Financing Sources (Uses)			
Operating transfers in	\$ 22	\$ 9,250	\$ 9,272
Operating transfers out	(9,250)	(22)	(9,272)
Face value of debt issued	-	7,620,000	7,620,000
Premium of debt issued	-	717,227	717,227
Payment to bond escrow agent:			
Principal	-	(5,335,000)	(5,335,000)
Interest & fees	-	(82,952)	(82,952)
Total Other Financing Sources (Uses)	\$ (9,228)	\$ 2,928,503	\$ 2,919,275
Net Change in Fund Balances	\$ 773,797	\$ 2,794,192	\$ 3,567,989
Fund Balances - Beginning of year, as restated (Note 20)	4,647,239	1,348,784	5,996,023
Fund Balances - End of year	\$ 5,421,036	\$ 4,142,976	\$ 9,564,012

The Notes to the Financial Statements are an integral part of this statement.

ST. JOSEPH PUBLIC SCHOOLS**RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCES OF GOVERNMENTAL FUNDS TO STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2020**

Net Change in Fund Balances - Total Governmental Funds \$ 3,567,989

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

Governmental funds report capital outlays as expenditures; in the statement of activities, these costs are allocated over their estimated useful lives as depreciation

Depreciation expense	\$ (2,553,740)	
Capitalized capital outlay	1,169,121	
Total		(1,384,619)

The issuance of long-term debt provides current financial resources to governmental funds, while the repayments of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. This amount is the net effect of those differences in the treatment of long-term debt and related items:

Bond proceeds	(7,620,000)
Bond premiums	(717,227)
Increase in accrued interest	(14,929)
Increase in the liability for compensated absences not reported in the governmental funds	(27,958)
Current year use of deferred interest charges associated with the issuance of advance refunding bonds	(78,147)
Governmental funds report prepaid bond insurance costs as expenditures; in the statement of activities, these costs are allocated over the life of the bonds	(6,867)
Amortization of bond premiums for refunding bonds	2,931,844
Change in benefit expense related to pension plan	(3,664,181)
Change in benefit expense related to OPEB	825,825
Revenue in support of pension contributions made subsequent to the measurement date	(50,137)
Repayment of bond and note payable principal and bond refunding are expenditures in the governmental funds, but not in the statement of activities (where it reduces long-term debt)	7,630,000
Repayment of lease principal is an expenditure in the governmental funds, but not in the statement of activities (where it reduces long-term debt)	20,571

Change in Net Position of Governmental Activities \$ 1,412,164

The Notes to the Financial Statements are an integral part of this statement.

	<u>Custodial Fund</u>
Assets:	
Cash and cash equivalents	\$ 46,575
Due from governmental funds	5,434
Total assets	<u>\$ 52,009</u>
Net Position:	
Reserved for custodial funds	\$ 52,009
Total net position	<u>\$ 52,009</u>

**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FOR THE YEAR ENDED JUNE 30, 2020**

	<u>Custodial Fund</u>
Additions:	
Interest	\$ 818
Custodial income	4,674
Total Additions	<u>5,492</u>
Deductions:	
Payments made on behalf of custodial funds	\$ 1,873
Total Deductions	<u>1,873</u>
Change in net position	\$ 3,619
Net Position-Beginning, as restated (Note 20)	<u>48,390</u>
Net Position-Ending	<u>\$ 52,009</u>

The Notes to the Financial Statements are an integral part of this statement.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of St. Joseph Public Schools (the “District”) conform to accounting principles generally accepted in the United States of America (“GAAP”) as applicable to governmental units and with the rules prescribed in the accounting manual by the Michigan Department of Education. The following is a summary of the significant accounting policies used by the District:

Reporting Entity

The District is governed by an elected seven-member Board of Education. The accompanying financial statements have been prepared in accordance with criteria established by the Governmental Accounting Standards Board (“GASB”) for determining the various governmental organizations to be included in the reporting entity. These criteria include significant operational financial relationships that determine which of the governmental organizations are a part of the District’s reporting entity, and which organizations are legally separate, component units of the District. Based on the application of the criteria, the District does not contain any component units.

District-Wide and Fund Financial Statements

The District -wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. All 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 segments 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. Taxes, intergovernmental payments, and other items not properly included among program revenues are reported instead as general revenue.

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

Measurement Focus, Basis of Accounting and Financial Statement Presentation

District-Wide Statements – The District -wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

District-Wide Statements (concluded) – Revenue is 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 revenue in the year for which they are levied. Grants, categorical aid and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. As a general rule, the effect of inter-fund activity has been eliminated from the District-wide financial statements.

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

Property taxes, unrestricted state aid, intergovernmental grants and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenue of the current fiscal period. All other revenue items are considered to be available only when cash is received by the government. The fiduciary fund statement is also reported using the economic resources measurement focus and the accrual basis of accounting.

Fiduciary Fund Statements – fiduciary fund statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, except for the recognition of certain liabilities to the beneficiaries of a fiduciary activity. Liabilities to beneficiaries are recognized when an event has occurred that compels the District to disburse fiduciary resources.

The District reports the following major governmental fund:

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

Additionally, the District reports the following fund types:

Special Revenue Funds are used to account for the specific revenue sources that are restricted or committed to expenditures for specific purposes other than debt service or capital projects. As of June 30, 2020, the special revenue funds maintained by the District are the Food Service Fund and Student Activity Fund.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Capital Projects Funds are used to account for financial resources that are restricted for capital outlays, including the acquisition or construction of capital facilities and other capital assets. As of June 30, 2020, the non-major capital projects funds maintained by the District are the Capital Projects Sinking Fund, the 2016/2020 Capital Projects Bond Fund, and the Capital Projects Robotics Fund.

Debt Retirement Funds are used to account for financial resources that are restricted for principal and interest. As of June 30, 2020, the debt retirement funds maintained by the District are the 2016 Debt Service Fund, 2005/2010/2015/2020 B Debt Service Fund, and the 2010/2013/2015 A Debt Service Fund.

Fiduciary Funds are used to account for assets held by the District in a trustee capacity or as an agent. Fiduciary Fund net position and results of operations are not included in the District-wide statements. Custodial Funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

The District presently maintains a Custodial Fund to record the transactions of student and parent groups for school and school-related purposes. The funds are segregated and held in trust for the students and parents.

Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Net Position or Equity

Deposits and Investments – Cash and cash equivalents include cash on hand, demand deposits and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

Receivables and Payables – In general, outstanding balances between funds are reported as “due to/from other funds.” Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as “advances to/from other funds.”

Property tax and other trade receivables are shown net of an allowance for uncollectible amounts. For the District, taxpayers in the City of St. Joseph and St. Joseph, Royalton, and Lincoln Townships, properties are assessed as of December 31st and the related property taxes are levied and become a lien on July 1st for 100 percent of the taxes which are due September 15th. The final collection date is February 28th, after which uncollected taxes are added to the Berrien County delinquent tax rolls.

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

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED**Receivables and Payables (Concluded)**

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

Inventories – Inventories are valued at cost on a first-in, first-out (“FIFO”) basis. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

Prepaid Items – Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both District-wide and fund financial statements.

Capital Assets – Capital assets, which include land, buildings, equipment, and vehicles are reported in the applicable governmental column in the District -wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Costs of normal repair and maintenance that do not add to the value or materially extended asset life are not capitalized. The District does not have infrastructure type assets. 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	5-20 years
Land Improvements	10-20 years

Deferred Outflows of Resources – In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District has three items that qualifies for reporting in this category. It is the deferred outflow related to the pension plan, the deferred outflow related to the OPEB and the deferred outflow of charges for the bond refunding.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Compensated Absences – The liability for compensated absences reported in the District -wide financial statements consists of unpaid, accumulated sick leave balances. The liability has been calculated using the vesting method, in which leave amounts for employees who currently are eligible to receive termination payments. The amount reported is salary related and includes fringe benefits.

Long-Term Obligations – In the District -wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net position. Where applicable, premiums and discounts, are capitalized and amortized over the life of the bonds. Bond issuance costs except for prepaid insurance, is expensed.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. Premiums received on debt issuances are reported as other financing sources while discounts are reported as other financing uses. Issuance costs are reported as debt service expenditures.

Deferred Inflows of Resources – In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and will not be recognized as an inflow of sources (revenue) until that time. The governmental funds report unavailable revenues, which arise only under a modified accrual basis of accounting, for long-term receivables unavailable and recognized as an inflow of resources in the period that amounts become available. The District's two items that qualify for reporting in this category are the deferred inflows related to the pension plan and the deferred inflows related to OPEB.

Comparative Data – Comparative data is not included in the District's financial statements.

Estimates – The process of preparing financial statements in conformity with accounting principles generally accepted in the United States of America requires the use of management estimates and assumptions regarding certain types of assets, deferred outflows of resources, liabilities, deferred inflows of resources, revenues and expenditures.

Fund Equity – The District has adopted GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. The objective of this statement is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied. This statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED**Fund Equity - (Concluded)**

The following are the District's fund balance classifications:

Non-spendable Fund Balance – includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.

Restricted Fund Balance – includes amounts that can be spent only for specific purposes stipulated by what the external resource provides (for example grant providers, constitutionally, or through enabling legislation). Effectively, restrictions may be changed or lifted only with the consent of resource providers.

Committed Fund Balance – includes amounts that can be used only for specific purposes determined by a formal action of the government's highest level of decision-making authority. Commitments may be changed or lifted only by the government taking the same formal action that imposed constraint originally.

Assigned Fund Balance – includes amounts that are constrained by the government's intent to be used for a specific purpose, but are neither restricted nor committed.

Unassigned Fund Balance – is the residual classification for General Fund. This classification represents governmental fund balances that have not been assigned to other funds or that have not been restricted, committed, or assigned to specific purposes within the respective governmental fund balances.

Fund Equity Flow Assumptions – Sometimes the District will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the District's policy to consider restricted fund balance to have been depleted before using any components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONCLUDED

Net Position Flow Assumption – Sometimes the District will fund outlays for particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts of net position to report as restricted and unrestricted in the District-wide financial statements, a flow assumption must be made about the order in which the resources are considered to be applied.

It is the District's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

Pension and Other Postemployment Benefit ("OPEB") Plans – For the purposes of measuring the net pension and OPEB liabilities, deferred outflows of resources and deferred inflows of resources related to each plan, and pension and OPEB expense, information about the fiduciary net position of the Michigan Public School Employees' Retirement System ("MPSERS") and additions to/deductions from MPERS fiduciary net position have been determined on the same basis as they are reported by MPSERS. Contribution revenue is recorded as contributions are due, pursuant to legal requirements. For this purpose, benefit payments (including refunds of the employee contributions) are recognized as expense when due and payable in accordance with the benefit terms. Investments are reported at fair value.

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

The budget document presents information by fund and function. The legal level of budgetary control adopted by the governing body (i.e. the level at which expenditures may not legally exceed appropriations) is the function level. State law requires the District to have its budget in place by July 1. Expenditures in excess of amounts budgeted is a violation of Michigan Law. State law permits districts to amend its budgets during the year.

Encumbrance accounting is employed in governmental funds. Amounts encumbered for purchase orders, contracts, etc. are not tracked during the year. Budget appropriations are considered to be spent once the goods are delivered or the services rendered. There were no encumbrances at year end.

Net Position Deficit – As of June 30, 2020, the Government-wide Statement of Net Position had a cumulative net position deficit of \$25,622,826.

NOTE 2. DEPOSITS AND INVESTMENTS

As of June 30, 2020, the District's deposits and investments include the following:

	Cash and Cash			
	Equivalents	Investments	Custodial Funds	Total
Cash on hand	\$ 3,468	\$ -	\$ -	\$ 3,468
Deposits	1,836,438	-	46,575	1,883,013
Investments	-	6,932,431	-	6,932,431
	<u>\$ 1,839,906</u>	<u>\$ 6,932,431</u>	<u>\$ 46,575</u>	<u>\$ 8,818,912</u>

Bank Deposits: All cash of the District is on deposit with financial institutions which provide FDIC insurance coverage or in highly liquid pooled money funds.

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. As of June 30, 2020, \$1,536,604 of the District's bank balance of \$2,554,111 was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the District's name

Investments: Michigan law permits investments in: 1) Bonds and other obligations of the United States Governments, 2) Certificates of deposit and savings accounts of banks or credit unions who are members of the FDIC and FSLIC, respectively, 3) Certain commercial paper, 4) United States Government repurchase agreements, 5) Banker's acceptance of the United States Bank, and 6) Certain mutual funds. The District has put further restrictions on those investments through its current policy, and the following investment is permitted by law and policy.

Investment Type	Fair Value	Current	Investment Maturities		
			1 - 5 years	6 - 10 years	More than 10
Investment Pools	\$ 6,932,431	\$ 6,932,431	\$ -	\$ -	\$ -
Total Investments	<u>\$ 6,932,431</u>	<u>\$ 6,932,431</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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 District's cash requirements.

NOTE 2. DEPOSITS AND INVESTMENTS, CONCLUDED

Credit Risk: State law limits investments in commercial paper and corporate bonds to a prime or better rating issued by Nationally Recognized Statistical Rating Organizations (“NRSRO’s”). As of June 30, 2020, the District’s investments were rated AAAM by Standard’s & Poors.

Concentration of Credit Risk: The District will minimize concentration of credit risk, which is the risk of loss attributed to the magnitude of the District’s investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized. The majority of the District’s investments are held in multiple asset backed securities and U.S. Treasury/Agency securities.

Custodial Credit Risk—Investments: For an investment, this is the risk that in the event of bank failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in possession of an outside party. As of June 30, 2020, no investments were subject to custodial credit risk.

NOTE 3. FAIR VALUE MEASUREMENT

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. Investments that are measured at fair value using the net asset value per share (or its equivalent) as a practical expedient are not classified in the fair value hierarchy below.

In instances whereby inputs used to measure fair value fall into different levels in the above fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. The District’s assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset.

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

	Fair Value Measurement Using			
	Quoted Prices in Active Markets for Identical Assets	Significant Observable Inputs	Significant Unobservable Inputs	
	Balance at June 30, 2020	(Level 1)	(Level 2)	(Level 3)
Investment Pools	\$ 6,932,431	\$ -	\$ 6,932,431	\$ -
Total Investments Measured at Fair Value	\$ 6,932,431	\$ -	\$ 6,932,431	\$ -

NOTE 4. RECEIVABLES AND PAYABLES

Receivables as of year-end for the District's individual major funds, and the non-major funds and fiduciary funds in the aggregate, including any allowance for uncollectible amounts are as follows:

	General Fund	Other Non-Major	Total
Receivables:			
Intergovernmental	\$ 3,609,825	\$ 92,755	\$ 3,702,580
Trade	292,643	-	292,643
	\$ 3,902,468	\$ 92,755	\$ 3,995,223

Payables as of year-end for the School District's individual major funds, and the non-major and fiduciary funds in the aggregate, are as follows:

	General Fund	Other Non-Major	Total
Payables:			
Trade	\$ 88,729	\$ 18,242	\$ 106,971
	\$ 88,729	\$ 18,242	\$ 106,971

NOTE 5. RISK MANAGEMENT

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

NOTE 6. CAPITAL ASSETS

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

	Beginning Balance	Additions	Disposals	End Balance
Assets not being depreciated:				
Land	\$ 1,077,901	\$ -	\$ -	\$ 1,077,901
Subtotal	\$ 1,077,901	\$ -	\$ -	\$ 1,077,901
Capital assets being depreciated:				
Building and building improvements	\$ 83,313,345	\$ 585,249	\$ -	\$ 83,898,594
Land improvements	3,051,891	208,235	-	3,260,126
Buses and other vehicles	1,601,378	-	-	1,601,378
Furniture and equipment	2,398,816	375,637	-	2,774,453
Subtotal	\$ 90,365,430	\$ 1,169,121	\$ -	\$ 91,534,551
Accumulated depreciation:				
Building and building improvements	\$ 26,857,698	\$ 2,077,512	\$ -	\$ 28,935,210
Land improvements	1,092,861	171,418	-	1,264,279
Buses and other vehicles	965,162	94,225	-	1,059,387
Furniture and equipment	1,329,557	210,585	-	1,540,142
Subtotal	\$ 30,245,278	\$ 2,553,740	\$ -	\$ 32,799,018
Net capital assets being depreciated	\$ 60,120,152			\$ 58,735,533
Net capital assets	\$ 61,198,053			\$ 59,813,434

Depreciation expense of \$2,553,740 was not charged to activities as the District considers its assets to impact multiple activities and allocation is not practical.

NOTE 7. RELATED ORGANIZATIONS

The District has established the St. Joseph Public School Foundation (the “Foundation”) that has a 501(c)(3) status with the Internal Revenue Service. As of June 30, 2020, the District’s transactions with the Foundation were as follows:

Donations recognized in current period	\$ 159,144
Donations recognized in subsequent period	13,770
Total	<u>\$ 172,914</u>

During the year, the District purchased services from Abonmarche Consultants for professional engineering services. A member of the Board of Education is a shareholder of this engineering firm. For the year ended June 30, 2020, the District paid \$21,516 to Abonmarche Consultants for those professional services. All transactions were conducted at arms-length in accordance with Board policy

The District has monies on deposit with Edgewater Bank. A member of the Board of Education is President of this bank. As of June 30, 2020, the District has \$577,757 in multiple accounts with Edgewater Bank. All transactions were conducted at arms-length.

NOTE 7. RELATED ORGANIZATIONS (CONCLUDED)

During the year, the District purchased office supplies from Doubleday Office Products. A member of the Board of Education is a shareholder of this company. For the year ended June 30, 2020, the District paid \$7,163 to Doubleday Office Products for office supplies. All transactions were conducted at arms-length in accordance with Board policy

NOTE 8. INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

The composition of Interfund balances is as follows:

Receivable Fund	Payable Fund	Amount
General Fund	Other Non-Major Governmental Funds - Student Activity Fund	\$ 2,761
Other Non-Major Governmental Funds - Food Service Fund	General Fund	\$ 7,605
Other Non-Major Governmental Funds - Food Service Fund	Other Non-Major Governmental Funds - Student Activity Fund	43
	Total	\$ 7,648
Custodial Fund	Other Non-Major Governmental Funds - Student Activity Fund	\$ 5,434

The Student Activity Fund owes the General Fund and Food Service Fund for miscellaneous expenditures.

The General Fund owes the Food Service Fund for at-risk funding.

The Student Activity Fund owes the Custodial Fund for their share of the beginning fund balance relating to implementation of GASB 84, *Fiduciary Activities*.

During the year, the following transfers were made between funds:

Transfer In:	Transfer Out:	Amount
General Fund	Other Non-Major Governmental Funds - Capital Projects Robotics Fund	\$ 22
Other Non-Major Governmental Funds - Food Service Fund	General Fund	\$ 9,250

The Capital Projects Robotics Fund transferred \$22 to the General Fund to close out the fund.

The General Fund transferred \$9,250 to the Food Service Fund for the portion of At-Risk funds allocated to the Food Service Funds.

NOTE 9. LONG-TERM DEBT

The District issues bonds to provide for the acquisition and construction of major capital facilities and the acquisition of certain equipment. General obligation bonds are direct obligations and pledge the full faith and credit of the District. Long-term obligation activity is summarized as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<i>Governmental Activities:</i>					
Bonds	\$ 41,065,000	\$ 7,620,000	\$ (7,630,000)	\$ 41,055,000	\$ 2,480,000
Unamortized Premiums	3,267,641	717,227	(2,931,844)	1,053,024	436,024
Deferred outflow of resources					
Deferred charges on bond refunding	(1,464,254)	(82,952)	161,099	(1,386,107)	(161,099)
Total Long-Term Debt Worth	\$ 42,868,387	\$ 8,254,275	\$ (10,400,745)	\$ 40,721,917	\$ 2,754,925

Governmental Activities:

At June 30, 2020, long-term debt consisted of:

\$22,100,000 - 2015 Refunding Bonds, Series A; payable in annual installments of \$305,000 to \$3,205,000 beginning 5/1/2027 through 5/1/2035; interest at 3.0% to 5.0% .	\$ 22,100,000
\$6,895,000 - 2015 Refunding Bonds, Series B; payable in annual installments of \$555,000 to \$1,135,000 beginning 5/1/2016 through 5/1/2022; interest at 5.0% .	2,260,000
\$9,430,000 - 2013 Refunding Bonds; payable in annual installments of \$785,000 to \$1,895,000 beginning 5/1/2019 through 5/1/2027; interest at 2.0% to 4.0% .	7,815,000
\$2,450,000 -2016 School Building and Equipment Bonds, Series I (general obligation-unlimited tax); payable in annual installments of \$375,000 to \$210,000 beginning 5/1/2017 through 5/1/2026; interest at 1.0% to 2.0% .	1,260,000
\$2,765,000 - 2020 School Building and Site Bonds, Series II; payable in annual installments of \$275,000 to \$265,000 beginning 6/30/2021 through 06/30/2029; interest at 3.0% to 4.0% .	2,765,000
\$4,855,000 - 2020 Refunding of 2010 Refunding Bonds; payable in annual installments of \$1,195,000 to \$1,210,000 beginning 6/30/2023 through 6/30/2026; interest at 3.0% .	4,855,000
	<u>\$ 41,055,000</u>

NOTE 9. LONG-TERM DEBT, CONTINUED

Annual debt service requirements to maturity for the above Governmental bond and note obligations are as follows:

<i>Governmental Activities:</i>			
	Principal	Interest	Total
2021	\$ 2,480,000	\$ 1,836,597	\$ 4,316,597
2022	2,600,000	1,706,813	4,306,813
2023	2,715,000	1,608,713	4,323,713
2024	2,825,000	1,472,613	4,297,613
2025	2,810,000	1,384,960	4,194,960
2026-2030	13,035,000	5,454,613	18,489,613
2031-2035	14,590,000	2,258,500	16,848,500
Unamortized premium, net of deferred outflows	(333,083)	-	(333,083)
	<u>\$ 40,721,917</u>	<u>\$ 15,722,809</u>	<u>\$ 56,444,726</u>

Interest expense of \$1,850,488 was not charged to activities, as the District considers its debt and related assets to impact multiple activities and allocation was not practical.

Compensated absences at June 30, 2020 consist of the following:

	Beginning Balance	Net Change	Ending Balance	Due Within One Year
Compensated absences which are payable upon termination of employment.	\$ 154,669	\$ 27,958	\$ 182,627	\$ 18,263

Advance Refunding – The District has defeased 2005, 2010, 2013, and 2015 certain unlimited tax school improvement bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and liabilities for defeased bonds are not included in the District’s financial statements. As of June 30, 2020, \$52,060,000 of bonds considered defeased are still outstanding.

During the fiscal year 2005, the District issued \$8,605,000 of unlimited tax refunding bonds, plus premium on capital appreciation bonds, to provide resources to place in escrow account for the purpose of generating resources for future debt service payments of \$14,608,050 of unlimited tax school improvement bonds. As a result, the refunded bonds are considered to be defeased and the liability has been removed from the District -wide financial statements.

NOTE 9. LONG-TERM DEBT, CONCLUDED**Advance Refunding, Concluded**

During fiscal year 2011, the District issued \$8,195,000 of unlimited tax refunding bonds, less a discount on capital appreciation bonds, to provide resources to place in escrow account for the purpose of generating resources for future debt service payments of \$11,632,774 of unlimited tax school improvement bonds. As a result, the refunded bonds are considered to be defeased and the liability has been removed from the District -wide financial statements.

During fiscal year 2014, the District issued \$9,430,000 of unlimited tax refunding bonds, plus a premium on capital appreciation bonds, to provide resources to place in escrow account for the purpose of generating resources for future debt service payments of \$13,455,655 of unlimited tax school improvement bonds. As a result, the refunded bonds are considered to be defeased and the liability has been removed from the District -wide financial statements.

During fiscal year 2015, the District issued \$25,380,000 of unlimited tax refunding bonds, plus a premium on capital appreciation bonds, to provide resources to place in escrow account for the purpose of generating resources for future debt service payments of \$44,412,129 of unlimited tax school improvement bonds. As a result, the refunded bonds are considered to be defeased and the liability has been removed from the District -wide financial statements.

During fiscal year 2015, the District issued \$7,680,000 unlimited tax refunding bonds, plus a premium on capital appreciation bonds, to provide resources to place in escrow account for the purpose of generating resources for future debt service payments of \$9,092,600 of unlimited tax school improvement bonds. As a result, the refunded bonds are considered to be defeased and the liability has been removed from the District -wide financial statements.

During fiscal year 2020, the District issued \$7,620,000 unlimited tax refunding bonds, plus a premium on capital appreciation bonds, to provide resources to place in escrow account for the purpose of generating resources for future debt service payments of \$8,771,184 of unlimited tax school improvement bonds. As a result, the refunded bonds are considered to be defeased and the liability has been removed from the District -wide financial statements.

NOTE 10. MICHIGAN PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM

Plan Description - The Michigan Public School Employees' Retirement System ("MPERS") (the "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. MPERS issues a publicly available Comprehensive Annual Financial Report that can be obtained at www.michigan.gov/orsschools.

NOTE 10. MICHIGAN PUBLIC SCHOOL EMPLOYEES’ RETIREMENT SYSTEM, CONTINUED

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 option of receiving health, prescription drug, dental and vision coverage under the Michigan Public School Employees’ Retirement Act.

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 of Michigan Investment Board serves as the investment fiduciary and custodian for the System.

Benefits Provided - Overall – participants are enrolled in one of multiple plans based on date of hire and certain voluntary elections. A summary of the plan offered by MPSERS is as follows:

<u>Plan Name</u>	<u>Plan Type</u>	<u>Plan Status</u>
Basic	Defined Benefit	Closed
Member Investment Plan	Defined Benefit	Closed
Pension Plus	Hybrid	Closed
Pension Plus 2	Hybrid	Open
Defined Contribution	Defined Contribution	Open

Benefits Provided - Pension - 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. Retirement benefits for DB plan members are determined by final average compensation and years of service. 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.

Prior to Pension reform of 2010 there were two plans commonly referred to as Basic and the Member Investment Plan (“MIP”). Basic Plan member’s contributions range from 0% - 4%. On January 1, 1987, the MIP was enacted. MIP members enrolled prior to January 1, 1990, contribute at a permanently fixed rate of 3.9% of gross wages. Members first hired January 1, 1990, or later including Pension Plus Plan members, contribute at various graduated permanently fixed contribution rates from 3.0% - 7.0%.

Pension Reform 2010 - On May 19, 2010, the Governor signed Public Act 75 of 2010 into law. As a result, any member of the MPSERS who became a member of MPSERS after June 30, 2010 is a Pension Plus member. Pension Plus is a hybrid plan that contains a pension component with an employee contribution (graded, up to 6.4% of salary) and a flexible and transferable defined contribution (“DC”) tax-deferred investment account that earns an employer match of 50% (up to 1% of salary) on employee contributions. Retirement benefits for Pension Plus members are determined by final average compensation and years of service. Disability and survivor benefits are available to Pension Plus members.

NOTE 10. MICHIGAN PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM, CONTINUED

Pension Reform 2012 - On September 4, 2012, the Governor signed Public Act 300 of 2012 into law. The legislation grants all active members who first became a member before July 1, 2010 and 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 pension. Any changes to a member's pension 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 the reform, members voluntarily chose to increase, maintain, or stop their contributions to the pension fund.

An amount determined by the member's election of Option 1, 2, 3, or 4 described below:

Option 1 - Members voluntarily elected to increase their contributions to the pension fund as noted below, and retain the 1.5% pension factor in their pension formula. The increased contribution would begin as of their transition date and continue until they terminate public school employment.

- Basic plan members: 4% contribution
- MIP-Fixed, MIP-Graded, and MIP-Plus members: a flat 7% contribution

Option 2 - Members voluntarily elected to increase their contribution to the pension fund as stated in Option 1 and retain the 1.5% pension factor in their pension formula. The increased contribution would begin as of their transition date and continue until they reach 30 years of service. If and when they reach 30 years of service, their contribution rates will return to the previous level in place as of the day before their transition date (0% for Basic plan members, 3.9% for MIP-Fixed, up to 4.3% for MIP-Graded, or up to 6.4% for MIP-Plus). The pension formula for any service thereafter would include a 1.25% pension factor.

Option 3 - Members voluntarily elected not to increase their contribution to the pension fund and maintain their current level of contribution to the pension fund. The pension formula for their years of service as of the day before their transition date will include a 1.5% pension factor. The pension formula for any service thereafter will include a 1.25% pension factor.

Option 4 - Members voluntarily elected to no longer contribute to the pension fund and therefore are switched to the Defined Contribution plan for future service as of their transition date. As a DC participant they receive a 4% employer contribution to the tax-deferred 401(k) account and can choose to contribute up to the maximum amounts permitted by the IRS to a 457 account. They vest in employer contributions and related earnings in their 401(k) account based on the following schedule: 50% at 2 years, 75% at 3 years, and 100% at 4 years of service. They are 100% vested in any personal contributions and related earnings in their 457 account. Upon retirement, if they meet age and service requirements (including their total years of service), they would also receive a pension (calculated based on years of service and final average compensation as of the day before their transition date and a 1.5% pension factor).

NOTE 10. MICHIGAN PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM, CONTINUED

Members who did not make an election before the deadline defaulted to Option 3 as described above. Deferred or nonvested public school employees on September 3, 2012, who return to public school employment on or after September 4, 2012, will be considered as if they had elected Option 3 above. Returning members who made the retirement plan election will retain whichever option they chose.

Employees who first work on or after September 4, 2012 choose between two retirement plans: the Pension Plus Plan and a Defined Contribution that provides a 50% employer match up to 3% of salary on employee contributions.

Final Average Compensation ("FAC") - Average of highest 60 consecutive months for Basic Plan members and Pension Plus members (36 months for MIP members). FAC is calculated as of the last day worked unless the member elected Option 4, in which case the FAC is calculated at the transition date.

Pension Reform of 2017 - On July 13, 2017, the Governor signed Public Act 92 of 2017 into law. The legislation closed the Pension Plus plan to newly hired employees as of February 1, 2018 and created a new, optional Pension Plus 2 plan with similar plan benefit calculations but containing a 50/50 cost share between the employee and the employer, including the cost of future unfunded liabilities. The assumed rate of return on the Pension Plus 2 plan is 6%. Further, under certain adverse actuarial conditions, the Pension Plus 2 plan will close to new employees if the actuarial funded ratio falls below 85% for two consecutive years. The law included other provisions to the retirement eligibility age, plan assumptions, and unfunded liability payment methods.

Benefits Provided - Other Postemployment Benefit ("OPEB") - 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 health care 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.

NOTE 10. MICHIGAN PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM, CONTINUED

Retiree Healthcare Reform of 2012 - Public Act 300 of 2012 granted all active members of the MPSEERS, 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 will be deposited into their 401(k) accounts.

Regular Retirement (no reduction factor for age) - Eligibility - A Basic plan member may retire at age 55 with 30 years credited service; or age 60 with 10 years credited service. For MIP members, age 46 with 30 years credited service; or age 60 with 10 years credited service; or age 60 with 5 years of credited service provided member worked through 60th birthday and has credited service in each of the last 5 years. For Pension Plus Plan ("PPP") members, age 60 with 10 years of credited service.

Annual Amount - The annual pension is paid monthly for the lifetime of a retiree. The calculation of a member's pension is determined by their pension election under PA 300 of 2012.

Member Contributions - Depending on the plan selected, member contributions range from 0% - 7% for pension and 0% - 3% for other postemployment benefits. Plan members electing the Defined Contribution plan are not required to make additional contributions.

Employer Contributions - Employers are required by Public Act 300 of 1980, as amended, to contribute amounts necessary to finance the coverage of pension benefits and 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 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 normal cost is the annual cost assigned under the actuarial funding method, to the current and subsequent plan years. The remainder is called the actuarial accrued liability. Normal cost is funded on a current basis.

NOTE 10. MICHIGAN PUBLIC SCHOOL EMPLOYEES’ RETIREMENT SYSTEM, CONTINUED

Pension and OPEB contributions made in the fiscal year ending September 30, 2019 were determined as of the September 30, 2016 actuarial valuations. The pension and OPEB benefits, the unfunded (overfunded) actuarial accrued liabilities as of September 30, 2016 are amortized over a 20-year period beginning October 1, 2018 and ending September 30, 2038.

Districts’ 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 the ORS. The range of rates is as follows:

	<u>Pension</u>	<u>Other Postemployment benefit</u>
October 1, 2018 - September 30, 2019	13.39% - 19.59%	7.57% - 7.93%
October 1, 2019 - September 30, 2020	13.39% - 19.59%	7.57% - 8.09%

The District’s pension contributions for the year ended June 30, 2020 were equal to the required contribution total. Total pension contributions were \$4,031,610.

The District’s OPEB contributions for the year ended June 30, 2020 were equal to the required contribution total. Total OPEB contributions were \$949,303.

These amounts, for both pension and OPEB benefit, include contributions funded from State Revenue Section 147c restricted to fund the MPSERS Unfunded Actuarial Accrued Liability (UAAL) Stabilization Rate (100% for pension and 0% for OPEB).

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

Pension Liabilities - 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 date of September 30, 2018 and rolled-forward using generally accepted actuarial procedures. The District’s proportion of the net pension liability was based on a projection of its long-term share of contributions to the pension plan relative to the projected contributions of all participating reporting units, actuarially determined.

MPSERS (Plan) Non-university employers	September 30, 2019	September 30, 2018
Total pension liability	\$ 83,442,507,212	\$ 79,863,694,444
Plan fiduciary net position	50,325,869,388	49,801,889,205
Net pension liability	33,116,637,824	30,061,805,239
Proportionate share	0.1591219%	0.1581166%
Net pension liability for the District	\$ 52,695,837	\$ 47,532,710

For the year ended June 30, 2020, the District recognized pension expense of \$8,129,085.

NOTE 10. MICHIGAN PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM, CONTINUED

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</u>
Differences between expected and actual experience	\$ 236,199	\$ 219,737
Changes of assumptions	10,317,882	-
Net difference between projected and actual earnings on pension plan investments	-	1,688,812
Changes in proportion and differences between School District contributions and proportionate share of contributions	340,279	253,762
School District contributions subsequent to the measurement date*	4,228,400	-
Revenues in support of contributions subsequent to the measurement date	-	1,777,626
Total	<u>\$ 15,122,760</u>	<u>\$ 3,939,937</u>

Deferred inflows of resources of \$1,777,626 resulting from the pension portion of State Aid payments received pursuant to the UAAL payment will be recognized as state appropriations revenue for the year ending June 30, 2021.

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

Year Ending June 30	Amount:
2020	\$ 3,466,161
2021	2,747,435
2022	1,781,591
2023	736,862
	<u>\$ 8,732,049</u>

*The contributions subsequent to the measure date as a reduction of the net pension liability in the following year.

NOTE 10. MICHIGAN PUBLIC SCHOOL EMPLOYEES’ RETIREMENT SYSTEM, CONTINUED

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

OPEB Liabilities - 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 date of September 30, 2018 and rolled-forward using generally accepted actuarial procedures. The District’s proportion of the net OPEB liability was based on a projection of its long-term share of contributions to the OPEB plan relative to the projected contributions of all participating reporting units, actuarially determined.

MPSERS (Plan) Non-university employers	September 30, 2019	September 30, 2018
Total other postemployment benefits liability	\$ 13,925,860,688	\$ 13,932,170,264
Plan fiduciary net position	6,748,112,668	5,983,218,473
Net other postemployment benefits liability	7,177,748,020	7,948,951,791
Proportionate share	0.1616369%	0.1567201%
Net other postemployment benefit liability for the District	11,601,892	12,457,608

For the year ended June 30, 2020, the District recognized OPEB expense of \$328,082. 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
Differences between expected and actual experience	\$ -	\$ 4,257,062
Changes of assumptions	2,513,895	-
Net difference between projected and actual earnings on pension plan investments	-	201,762
Changes in proportion and differences between the District contributions and proportionate share of contributions	361,072	166,464
District contributions subsequent to the measurement date*	1,021,561	-
Total	\$ 3,896,528	\$ 4,625,288

*The contributions subsequent to the measure date as a reduction of the net OPEB liability in the following year.

NOTE 10. MICHIGAN PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM, CONTINUED

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

Year Ending June 30	Amount:
2020	\$ (508,791)
2021	(508,791)
2022	(408,101)
2023	(234,732)
2024	(89,906)
	<u>\$ (1,750,321)</u>

Actuarial Assumptions - The total pension liability and total OPEB liability as of September 30, 2019 is based on the results of an actuarial valuation as of September 30, 2018 and rolled forward. The total pension and OPEB liabilities were determined using the following actuarial assumptions:

Actuarial Cost Method	Entry Age, Normal
Wage inflation rate	3.00%
Investment Rate of Return - Pension	6.00 - 6.80%
Investment rate of return - OPEB	6.95%
Projected salary increases	2.75%, including wage inflation at 3.00%
Healthcare cost trend rate	7.5%, Year 1 graded to 3.5% Year 12
Cost-of-Living Pension Adjustments	3% Annual Non-Compounded for MIP Members
Mortality:	
Retirees:	RP-2014 Male and Female Healthy Annuitant Mortality Tables, scaled by 82% for males and 78% for females and adjusted for mortality improvements using projection scale MP-2017 from 2006.
Active Members:	RP-2014 Male and Female Healthy Annuitant Mortality Tables, scaled by 100% and adjusted for mortality improvements using projection scale MP-2017 from 2006.
Disable Retirees:	RP-2014 Male and Female Healthy Annuitant Mortality Tables, scaled by 100% and adjusted for mortality improvements using projection scale MP-2017 from 2006.

Assumption changes as a result of an experience study for the periods from 2012 to 2017 have been adopted by the System for use in the annual pension valuations beginning with the September 30, 2014 valuation.

NOTE 10. MICHIGAN PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM, CONTINUED

Experience study - The annual actuarial valuation report of the System used for these statements is dated September 30, 2018. Assumption changes as a result of an experience study for the periods 2012 through 2017 have been adopted by the System for use in the determination of the total pension and OPEB liability beginning with the September 30, 2017 valuation.

The long-term expected rate of return on pension and other postemployment benefit plan investments - The pension rate was 6.80% (MIP, Basic, and Pension Plus Plan) and 6.00% for Pension Plus 2 Plan, and the other postemployment benefit rate was 6.95%, net of investment and administrative expenses was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension and OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

Cost of living pension adjustments - 3.0% annual non-compounded for MIP members.

Healthcare cost trend rate for other postemployment benefit - 7.5% for year one and graded to 3.5% in year twelve.

Additional assumptions for other postemployment benefit only - applies to individuals hired before September 4, 2012:

Opt Out Assumption - 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.

NOTE 10. MICHIGAN PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM, CONTINUED

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

Asset Class	Target Allocation	Long Term Expected Real Rate of Return*
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	100.0%	

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

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

Pension Discount Rate - A single discount rate of 6.80% was used to measure the total pension liability (6.00% for the Pension Plus 2 Plan). This discount rate was based on the expected rate of return on pension plan investments of 6.80% (6.00% for the Pension Plus 2 Plan). The projection of cash flows used to determine this single discount rate assumed that plan member contributions will be made at the current contribution rate and that contributions from Districts will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

OPEB Discount Rate - A single 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 Districts contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

NOTE 10. MICHIGAN PUBLIC SCHOOL EMPLOYEES’ RETIREMENT SYSTEM, CONCLUDED

Sensitivity of the net pension liability to changes in the discount rate - The following presents the Reporting Unit’s proportionate share of the net pension liability calculated using a single discount rate of 6.80% (6.00% for the Pension Plus 2 Plan), as well as what the Reporting Unit’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 than the current rate:

<u>1% Decrease</u>	<u>Current Single Discount Rate Assumption</u>	<u>1% Increase</u>
\$ 68,507,959	\$ 52,695,837	\$ 39,587,043

Sensitivity of the net OPEB liability to changes in the discount rate -The following presents the Reporting Unit’s proportionate share of the net OPEB liability calculated using a single discount rate of 6.95%, as well as what the Reporting Unit’s proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
\$ 14,231,464	\$ 11,601,892	\$ 9,393,782

Sensitivity to the net OPEB liability to changes in the healthcare cost trend rates - The following presents the Reporting Unit’s proportionate share of the net other postemployment benefit liability calculated using the healthcare cost trend rate of 7.5% (decreasing to 3.5%), as well as what the Reporting Unit’s proportionate share of the net other postemployment benefit liability would be if it were calculated using a healthcare cost trend rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

<u>1% Decrease</u>	<u>Current Healthcare Cost Trend Rate</u>	<u>1% Increase</u>
\$ 9,300,168	\$ 11,601,892	\$ 14,231,152

Pension and OPEB Plan Fiduciary Net Position - Detailed information about the pension and OPEB’s fiduciary net position is available in the separately issued Michigan Public School Employees Retirement System 2019 Comprehensive Annual Financial Report.

Payable to the pension and OPEB plan - At year end the District is current on all required pension and other postemployment benefit plan payments. Amounts accrued at year end for accounting purposes are separately stated in the financial statements as a liability titled accrued retirement. These amounts represent current payments for June paid in July, accruals for summer pay primarily for teachers, and the contributions due from state revenue Section 147c restricted to fund the MPSERS Unfunded Actuarial Accrued Liability (“UAAL”).

NOTE 11. TAX ABATEMENTS

The District receives reduced property tax revenues as a result of Industrial Facilities Tax exemptions and Brownfield Redevelopment Agreements granted by various municipalities within the District. Industrial facility exemptions are intended to promote construction of new industrial facilities, or to rehabilitate historical facilities; Brownfield redevelopment agreements are intended to reimburse taxpayers that remediate environmental contamination on their properties. For the fiscal year ended June 30, 2020, the District's property tax revenues were reduced by \$484,741 under these programs.

NOTE 12. OTHER BENEFITS

The District also provides 403(b) tax deferred annuity plans. All employees are eligible to participate in the plans and are fully vested immediately for all contributions.

The District is also able to offer a tax deferred "buy-in" program for years of service for all eligible employees in the state-provided pension plan. The percentage rate for the employee's contribution was calculated based on the previous year's salary and age.

NOTE 13. CAPITAL PROJECTS SINKING FUND

The Capital Projects Sinking Fund records capital project activities funded with Sinking Fund millage. For this fund, the District has complied with the applicable provisions of Section 1212 of the Revised School Code.

NOTE 14. CAPITAL PROJECTS BOND EXPENDITURES

The Capital Projects Bond Fund includes capital project activities funded with bonds issued after May 1, 1994. For these capital projects, the District has complied with the applicable provisions of Section 1351a of the Revised School Code.

Beginning with the year of bond issuance, The District reported the annual construction activity in the 2016/2020 Capital Projects Bond Fund.

NOTE 15. OPERATING LEASES

In September, 2019, the School Board approved a three month year lease agreement with the St. Joseph Lincoln Senior Citizen Center with \$1,000 month rent. As of January 1, 2020, the lease is currently "month to month" with monthly rent of \$2,000. Rent expense of \$16,000 was incurred for the fiscal year ended June 30, 2020.

NOTE 16. CAPITAL LEASES

The District has a capital lease for copiers. The future minimum lease payments are as follows:

<u>Year Ending June 30</u>	<u>Principal</u>
2021	\$ 21,965
2022	23,454
2023	10,236
Total minimum lease payments	\$ 55,655
Less amount representing interest	(4,691)
Present value of minimum lease payments	<u>\$ 50,964</u>
<u>Assets</u>	<u>Amount</u>
Equipment	\$ 87,618
Less accumulated depreciated	(17,524)
Net book value	<u>\$ 70,094</u>

NOTE 17. UNEARNED/UNAVAILABLE REVENUE

Governmental funds report revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also report unearned revenue recognition in connection with resources that have been received but not yet earned. At the end of the current fiscal year, the various components of unearned/unavailable revenue are as follows:

<u>Liability - Unearned Revenue</u>	<u>Food Services Fund</u>	<u>General Fund</u>	<u>Total</u>
Funds in students' lunch accounts at year-end	\$ 78,010	\$ -	\$ 78,010
Early Literacy Grant	-	33,772	33,772
At-Risk Carryover	-	44,083	44,083
St. Joseph Foundation Grant	-	13,770	13,770
Total	<u>\$ 78,010</u>	<u>\$ 91,625</u>	<u>\$ 169,635</u>
<u>Deferred Inflow - Unavailable</u>			
Booster contributions for donated band uniforms	\$ -	\$ 1,136	\$ 1,136
Booster contributions for donated scoreboards	-	11,667	11,667
Total	<u>-</u>	<u>12,803</u>	<u>12,803</u>

NOTE 18. CONTINGENT LIABILITIES

Grants – In the normal course of operations, the District receives grant funds from various Federal and State agencies. The grant programs are subject to audit by agents of the granting authority, the purpose of which is to insure compliance with conditions precedent to the granting funds. Any liability for reimbursement which may arise as the result of these audits is not believed to be material.

NOTE 19. UPCOMING PRONOUNCEMENTS

In June 2017, the GASB issued Statement No. 87, *Leases*, which improves accounting and financial reporting for leases by governments. This statement requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the of the right to use an 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. The District is currently evaluating the impact this standard will have on the financial statements when adopted. The provisions of this statement are effective for the District's financial statements for the year ending June 30, 2022.

NOTE 20. ADOPTION OF NEW PRONOUNCEMENTS

For the year ended June 30, 2020, the District implemented the following new pronouncement: GASB Statement No. 84, *Fiduciary Activities*.

Summary – GASB issued Statement No. 84, *Fiduciary Activities*, was issued by the GASB in January 2017 and is effective for the District's 2021 year end. The District has determined to early implement this statement. The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how these 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.

NOTE 20. ADOPTION OF NEW PRONOUNCEMENTS (CONCLUDED)

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

	Fund Balances	
	Non-Major Student Activity Fund	Total Governmental Funds
Fund balances as of July 1, 2019, as previously stated	\$ -	\$ 5,528,629
Adoption of GASB Statement 84	467,394	467,394
Fund balances as of July 1, 2019, as restated	<u>\$ 467,394</u>	<u>\$ 5,996,023</u>

	Net Position	
	Governmental Activities	Custodial Fund
Net position as of July 1, 2019, as previously stated	\$ (27,502,384)	\$ 515,784
Adoption of GASB Statement 84	467,394	(467,394)
Net position as of July 1, 2019, as restated	<u>\$ (27,034,990)</u>	<u>\$ 48,390</u>

NOTE 21. SUBSEQUENT EVENTS

The District has evaluated subsequent events through October 30, 2020, the date the financial statements were available to be issued.

The global coronavirus pandemic of 2020 (“COVID-19”), has caused the financial picture for Michigan Districts to see an unanticipated change. Currently, the duration and full effects of the outbreak are unknown, as the local and global picture continues to change frequently. In March 2020, public schools were closed for the remainder of the 2019-2020 school year and the State of Michigan encountered a revenue shortfall resulting in a revenue reduction for Districts in the August 2020 state aid payment. Public Act 123 of 2020 provides Districts an approximate \$12.32 per pupil and Public Act 146 of 2020 which provides Districts \$350 per pupil. These new revenue sources approved subsequent to June 30, 2020 will be recognized in the fiscal year ended June 30, 2021 in accordance with reporting criteria established by GASB. Additionally, the “Return to Learn” legislation passed subsequent to year end which modifies the per pupil foundation allowance calculation per pupil and allows flexibilities in the days and attendance requirements for Districts. Although the District cannot estimate the length or gravity of the impact of the COVID-19 outbreak at this time, if the pandemic continues, it may have an adverse effect on the District’s results of future operations, financial position, and liquidity in fiscal year 2021.

**REQUIRED SUPPLEMENTARY
INFORMATION**

ST. JOSEPH PUBLIC SCHOOLS

REQUIRED SUPPLEMENTARY SCHEDULE
BUDGETARY COMPARISON SCHEDULE — GENERAL FUND
YEAR ENDED JUNE 30, 2020

	Original Budget	Final Amended Budget	Actual	Variance (Negative) Positive
Revenues				
Property taxes	\$ 6,110,017	\$ 5,895,424	\$ 5,901,737	\$ 6,313
Local sources	564,359	553,533	450,138	(103,395)
State sources	21,267,629	22,421,962	21,827,425	(594,537)
Federal sources	316,177	346,983	341,434	(5,549)
Interdistrict sources	524,436	530,812	530,192	(620)
Athletic sources	93,806	115,828	151,016	35,188
Earnings on investments	40,000	59,000	59,126	126
Total Revenues	\$ 28,916,424	\$ 29,923,542	\$ 29,261,068	\$ (662,474)
Expenditures				
Instruction:				
Basic programs	\$ 15,511,937	\$ 15,497,826	\$ 15,244,519	\$ 253,307
Added needs	2,401,131	2,691,493	2,498,073	193,420
Supporting services:				
Pupil	1,325,467	1,414,007	1,376,448	37,559
Instructional staff	1,507,399	1,612,292	1,484,390	127,902
General administration	443,749	523,324	478,995	44,329
School administration	1,505,020	1,555,286	1,503,875	51,411
Business services	527,498	518,199	466,203	51,996
Operations and maintenance	3,204,741	3,188,598	2,958,983	229,615
Transportation	855,018	996,606	943,396	53,210
Technology/Communication	775,281	791,163	679,447	111,716
Community services	45,409	52,257	32,296	19,961
Athletics	821,557	907,184	811,418	95,766
Total Expenditures	\$ 28,924,207	\$ 29,748,235	\$ 28,478,043	\$ 1,270,192
Excess (Deficiency) of Revenues Over (Under) Expenditures	\$ (7,783)	\$ 175,307	\$ 783,025	\$ 607,718
Other Financing Sources (Uses)				
Operating transfers in	\$ 30,000	\$ -	\$ 22	\$ 22
Operating transfers out	(8,820)	(8,220)	(9,250)	(1,030)
Total Other Financing Sources (Uses)	\$ 21,180	\$ (8,220)	\$ (9,228)	\$ (1,008)
Net Change in Fund Balances	\$ 13,397	\$ 167,087	\$ 773,797	\$ 606,710
Fund Balances - Beginning of year	4,647,239	4,647,239	4,647,239	
Fund Balances - End of year	\$ 4,660,636	\$ 4,814,326	\$ 5,421,036	

The Notes to Required Supplementary Information are an integral part of this statement

ST. JOSEPH PUBLIC SCHOOLS

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
MICHIGAN PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM
DETERMINED AS OF THE PLAN YEAR ENDED SEPTEMBER 30TH

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
District's proportion of net pension liability	0.15912%	0.15812%	0.15949%	0.15770%	0.15875%	0.15921%
District's proportionate share of net pension liability	\$ 52,695,837	\$ 47,532,710	\$ 41,331,328	\$ 39,347,841	\$ 38,774,207	\$ 35,067,772
District's covered-employee payroll	\$ 14,105,347	\$ 13,318,107	\$ 13,440,641	\$ 13,271,629	\$ 13,401,946	\$ 13,637,853
District's proportionate share of net pension liability as a percentage of its covered-employee payroll	373.59%	356.90%	307.51%	296.48%	289.32%	257.14%
Plan fiduciary net position as a percentage of total pension liability	60.08%	62.12%	63.96%	63.01%	62.92%	66.20%

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10 year trend is compiled, the District presents information for those years for which information is available.

The Notes to Required Supplementary Information are an integral part of this statement.

ST. JOSEPH PUBLIC SCHOOLS

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE DISTRICT'S PENSION CONTRIBUTIONS
MICHIGAN PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM
AMOUNTS WERE DETERMINED AS OF THE YEAR ENDED JUNE 30TH

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Statutorily required contributions	\$ 4,031,610	\$ 4,207,443	\$ 4,041,331	\$ 3,825,463	\$ 3,678,904	\$ 2,853,827
Contributions in relation to statutorily required contributions	<u>4,031,610</u>	<u>4,207,443</u>	<u>4,041,331</u>	<u>3,825,463</u>	<u>3,678,904</u>	<u>2,853,827</u>
Contribution deficiency (excess)	<u>\$ -</u>					
District's covered-employee payroll	\$ 14,538,153	\$ 13,932,270	\$ 13,309,299	\$ 13,885,070	\$ 13,427,369	\$ 13,419,865
Contributions as a percentage of covered-employee payroll	27.73%	30.20%	30.36%	27.55%	27.40%	21.27%

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10 year trend is compiled, the District presents information for those years for which information is available.

The Notes to Required Supplementary Information are an integral part of this statement.

ST. JOSEPH PUBLIC SCHOOLS

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF NET OPEB LIABILITY
MICHIGAN PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM
AMOUNTS WERE DETERMINED AS OF THE PLAN YEAR ENDED SEPTEMBER 30TH

	<u>2019</u>		<u>2018</u>		<u>2017</u>
District's proportion of net OPEB liability	0.16164%		0.15672%		0.15931%
District's proportionate share of net OPEB liability	\$ 11,601,892	\$	12,457,608	\$	14,107,722
District's covered-employee payroll	\$ 14,105,347	\$	13,318,107	\$	13,440,641
District's proportionate share of net OPEB liability as a percentage of its covered-employee payroll	82.25%		93.54%		104.96%
Plan fiduciary net position as a percentage of total OPEB liability	48.67%		43.10%		36.53%

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10 year trend is compiled, the District presents information for those years for which information is available.

The Notes to Required Supplementary Information are an integral part of this statement.

ST. JOSEPH PUBLIC SCHOOLS

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE DISTRICT'S OPEB CONTRIBUTIONS
MICHIGAN PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM
DETERMINED AS OF THE YEAR ENDED JUNE 30

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Statutorily required contributions	\$ 949,303	\$ 1,073,662	\$ 948,470
Contributions in relation to statutorily required contributions	<u>949,303</u>	<u>1,073,662</u>	<u>948,470</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$ 14,538,153	\$ 13,932,270	\$ 13,309,299
Contributions as a percentage of covered-employee payroll	6.53%	7.71%	7.13%

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10 year trend is compiled, the District presents information for those years for which information is available.

The Notes to Required Supplementary Information are an integral part of this statement.

Change of pension benefit terms:

There were no changes of benefit terms for the plan year ended September 30, 2019.

Change of pension assumptions:

Discount rate for MIP and Basic plans decreased to 6.80% from 7.05%.

Discount rate for Pension Plus decreased to 6.80% from 7.00%.

Change of OPEB benefit terms:

There were no changes of benefit terms for the plan year ended September 30, 2019.

Change of OPEB assumptions:

Discount rate for decreased to 6.95% from 7.15%.

Healthcare cost trend rate increased to 7.50% Year 1 graded to 3.50% Year 12 from 7.50% Year 1 graded to 3.00% Year 12.

Stewardship, Compliance, and Accountability

Excess of Expenditures Over Appropriations in Budgeted Funds — See previous Budgetary Comparison Schedule for budget variances as they apply to the District.

**OTHER SUPPLEMENTARY
INFORMATION**

	Total Non- Major Special Revenue Funds	Total Non- Major Capital Projects Funds	Total Non- Major Debt Service Funds	Total Non-Major Governmental Funds
Assets				
Cash and cash equivalents	\$ 568,345	\$ 87,255	\$ 102,184	\$ 757,784
Investments	-	2,908,293	463,381	3,371,674
Due from other governmental funds	7,648	-	-	7,648
Due from other governmental units	9,746	17,512	65,497	92,755
Inventory	17,605	-	-	17,605
Total Assets	\$ 603,344	\$ 3,013,060	\$ 631,062	\$ 4,247,466
Liabilities and Fund Balances				
Liabilities				
Accounts payable	\$ 18,242	\$ -	\$ -	\$ 18,242
Unearned revenue	78,010	-	-	78,010
Due to custodial funds	5,434	-	-	5,434
Due to other governmental funds	2,804	-	-	2,804
Total Liabilities	\$ 104,490	\$ -	\$ -	\$ 104,490
Fund Balances				
Non-spendable inventory	\$ 17,605	\$ -	\$ -	\$ 17,605
Restricted for debt retirement	-	-	631,062	631,062
Restricted for capital projects	-	3,013,060	-	3,013,060
Restricted for food service	4,641	-	-	4,641
Restricted for student activities	476,608	-	-	476,608
Total Fund Balances	\$ 498,854	\$ 3,013,060	\$ 631,062	\$ 4,142,976
Total Liabilities and Fund Balances	\$ 603,344	\$ 3,013,060	\$ 631,062	\$ 4,247,466

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES—
NON-MAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2020

	Total Non-Major Special Revenue Funds	Total Non-Major Capital Projects Funds	Total Non-Major Debt Service Funds	Total Non-Major Governmental Funds
Revenues				
Property taxes	\$ -	\$ 1,071,619	\$ 4,004,341	\$ 5,075,960
Local sources	1,323,622	17,380	-	1,341,002
State sources	52,966	-	-	52,966
Federal sources	423,201	-	-	423,201
Earnings on investments	-	8,754	33,912	42,666
Miscellaneous revenue	-	-	64,961	64,961
Total Revenues	\$ 1,799,789	\$ 1,097,753	\$ 4,103,214	\$ 7,000,756
Expenditures				
Supporting services	\$ -	\$ 80,419	\$ 95,633	\$ 176,052
Food service	1,009,041	-	-	1,009,041
Student activities	818,260	-	-	818,260
Capital outlay	-	1,169,121	-	1,169,121
Debt retirement:				
Principal on long-term debt	-	-	2,295,000	2,295,000
Interest on long-term debt	-	-	1,667,593	1,667,593
Total Expenditures	\$ 1,827,301	\$ 1,249,540	\$ 4,058,226	\$ 7,135,067
Excess (Deficiency) of Revenues over (under) Expenditures	\$ (27,512)	\$ (151,787)	\$ 44,988	\$ (134,311)
Other Financing Sources (Uses)				
Operating transfers in	\$ 9,250	\$ -	\$ -	\$ 9,250
Operating transfers out	-	(22)	-	(22)
Face value of debt issued	-	2,765,000	4,855,000	7,620,000
Premium of debt issued	-	297,081	420,146	717,227
Payment to bond escrow agent:				
Principal	-	-	(5,335,000)	(5,335,000)
Interest & fees	-	-	(82,952)	(82,952)
Total Other Financing Sources (Uses)	\$ 9,250	\$ 3,062,059	\$ (142,806)	\$ 2,928,503
Net Change in Fund Balances	\$ (18,262)	\$ 2,910,272	\$ (97,818)	\$ 2,794,192
Fund Balances - Beginning of year, as restated (Note 20)	517,116	102,788	728,880	1,348,784
Fund Balances - End of year	\$ 498,854	\$ 3,013,060	\$ 631,062	\$ 4,142,976

	Food Service Fund	Student Activity Fund	Total Non-Major Special Revenue Funds
Assets			
Cash and cash equivalents	\$ 65,257	\$ 503,088	\$ 568,345
Due from other governmental funds	7,648	-	7,648
Due from other governmental units	9,746	-	9,746
Inventory	17,605	-	17,605
Total Assets	\$ 100,256	\$ 503,088	\$ 603,344
Liabilities and Fund Balances			
Liabilities			
Accounts payable	\$ -	\$ 18,242	\$ 18,242
Unearned revenue	78,010	-	78,010
Due to custodial funds	-	5,434	5,434
Due to other governmental funds	-	2,804	2,804
Total Liabilities	\$ 78,010	\$ 26,480	\$ 104,490
Fund Balances			
Non-spendable inventory	\$ 17,605	\$ -	\$ 17,605
Restricted for food service	4,641	-	4,641
Restricted for student activities	-	476,608	476,608
Total Fund Balances	\$ 22,246	\$ 476,608	\$ 498,854
Total Liabilities and Fund Balances	\$ 100,256	\$ 503,088	\$ 603,344

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES—
NON-MAJOR SPECIAL REVENUE FUNDS
YEAR ENDED JUNE 30, 2020

	<u>Food Service Fund</u>	<u>Student Activity Fund</u>	<u>Total Non-Major Special Revenue Funds</u>
Revenues			
Local sources	\$ 496,148	\$ 827,474	\$ 1,323,622
State sources	52,966	-	52,966
Federal sources	423,201	-	423,201
Total Revenues	<u>\$ 972,315</u>	<u>\$ 827,474</u>	<u>\$ 1,799,789</u>
Expenditures			
Food service	\$ 1,009,041	\$ -	\$ 1,009,041
Student activities	-	818,260	818,260
Total Expenditures	<u>\$ 1,009,041</u>	<u>\$ 818,260</u>	<u>\$ 1,827,301</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>\$ (36,726)</u>	<u>\$ 9,214</u>	<u>\$ (27,512)</u>
Other Financing Sources (Uses)			
Operating transfers in	\$ 9,250	\$ -	\$ 9,250
Total Other Financing Sources (Uses)	<u>\$ 9,250</u>	<u>\$ -</u>	<u>\$ 9,250</u>
Net Change in Fund Balances	<u>\$ (27,476)</u>	<u>\$ 9,214</u>	<u>\$ (18,262)</u>
Fund Balances - Beginning of year, as restated (Note 20)	49,722	467,394	517,116
Fund Balances - End of year	<u><u>\$ 22,246</u></u>	<u><u>\$ 476,608</u></u>	<u><u>\$ 498,854</u></u>

	Capital Projects Sinking Fund	2016/2020 Capital Projects Bond Fund	Capital Projects Robotics Fund	Total Non-Major Capital Projects Funds
Assets				
Cash and cash equivalents	\$ 77,505	\$ 9,750	\$ -	\$ 87,255
Investments	-	2,908,293	-	2,908,293
Due from other governmental units	17,512	-	-	17,512
Total Assets	\$ 95,017	\$ 2,918,043	\$ -	\$ 3,013,060
Liabilities and Fund Balances				
Liabilities				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Total Liabilities	\$ -	\$ -	\$ -	\$ -
Fund Balances				
Restricted for capital projects	\$ 95,017	\$ 2,918,043	\$ -	\$ 3,013,060
Total Fund Balances	\$ 95,017	\$ 2,918,043	\$ -	\$ 3,013,060
Total Liabilities and Fund Balances	\$ 95,017	\$ 2,918,043	\$ -	\$ 3,013,060

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES –
NON-MAJOR CAPITAL PROJECTS FUNDS
JUNE 30, 2020

	Capital Projects Sinking Fund	2016/2020 Capital Projects Bond Fund	Capital Projects Robotics Fund	Total Non-Major Capital Projects Funds
Revenues				
Property taxes	\$ 1,071,619	\$ -	\$ -	\$ 1,071,619
Local sources	17,380	-	-	17,380
Earnings on investments	-	8,754	-	8,754
Total Revenues	\$ 1,088,999	\$ 8,754	\$ -	\$ 1,097,753
Expenditures				
Supporting services	\$ -	\$ 80,419	\$ -	\$ 80,419
Capital outlay	1,089,201	79,920	-	1,169,121
Total Expenditures	\$ 1,089,201	\$ 160,339	\$ -	\$ 1,249,540
Excess (Deficiency) of Revenues Over (Under) Expenditures	\$ (202)	\$ (151,585)	\$ -	\$ (151,787)
Other Financing Sources (Uses)				
Operating transfers out	\$ -	\$ -	\$ (22)	\$ (22)
Face value of debt issued	-	2,765,000	-	2,765,000
Premium of debt issued	-	297,081	-	297,081
Total Other Financing Sources (Uses)	\$ -	\$ 3,062,081	\$ (22)	\$ 3,062,059
Net Change in Fund Balances	\$ (202)	\$ 2,910,496	\$ (22)	\$ 2,910,272
Fund Balances - Beginning of year	95,219	7,547	22	102,788
Fund Balances - End of year	\$ 95,017	\$ 2,918,043	\$ -	\$ 3,013,060

	<u>2016 Debt Service Fund</u>	<u>2005/2010/2015/2020 B Debt Service Fund</u>	<u>2010/2013/2015 A Debt Service Fund</u>	<u>Total Non-Major Debt Service Funds</u>
Assets				
Cash and cash equivalents	\$ 20,828	\$ 32,454	\$ 48,902	\$ 102,184
Investments	25,673	155,297	282,411	463,381
Due from other governmental units	10,685	18,011	36,801	65,497
Total Assets	<u>\$ 57,186</u>	<u>\$ 205,762</u>	<u>\$ 368,114</u>	<u>\$ 631,062</u>
Liabilities and Fund Balances				
Liabilities				
Due to other governmental funds	\$ -	\$ -	\$ -	\$ -
Total Liabilities	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Fund Balances				
Restricted for debt retirement	\$ 57,186	\$ 205,762	\$ 368,114	\$ 631,062
Total Fund Balances	<u>\$ 57,186</u>	<u>\$ 205,762</u>	<u>\$ 368,114</u>	<u>\$ 631,062</u>
Total Liabilities and Fund Balances	<u>\$ 57,186</u>	<u>\$ 205,762</u>	<u>\$ 368,114</u>	<u>\$ 631,062</u>

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES—
NON-MAJOR DEBT SERVICE FUNDS
JUNE 30, 2020

	2016 Debt Service Fund	2005/2010/2015/2020 B Debt Service Fund	2010/2013/2015 A Debt Service Fund	Total Non-Major Debt Service Funds
Revenues				
Property taxes	\$ 397,978	\$ 1,303,682	\$ 2,302,681	\$ 4,004,341
Earnings on investments	9,164	8,886	15,862	33,912
Miscellaneous revenue	6,462	21,127	37,372	64,961
Total Revenues	\$ 413,604	\$ 1,333,695	\$ 2,355,915	\$ 4,103,214
Expenditures				
Supporting services	\$ -	\$ 94,863	\$ 770	\$ 95,633
Debt retirement:				
Principal on long-term debt	375,000	1,090,000	830,000	2,295,000
Interest on long-term debt	32,700	243,130	1,391,763	1,667,593
Total Expenditures	\$ 407,700	\$ 1,427,993	\$ 2,222,533	\$ 4,058,226
Excess (Deficiency) of Revenues Over (Under) Expenditures	\$ 5,904	\$ (94,298)	\$ 133,382	\$ 44,988
Other Financing Sources (Uses)				
Face value of debt issued	\$ -	\$ 4,855,000	\$ -	\$ 4,855,000
Premium of debt issued	-	420,146	-	420,146
Payment to bond escrow agent:				
Principal	-	(5,335,000)	-	(5,335,000)
Interest & fees	-	(82,952)	-	(82,952)
Total Other Financing Sources (Uses)	\$ -	\$ (142,806)	\$ -	\$ (142,806)
Net Change in Fund Balances	\$ 5,904	\$ (237,104)	\$ 133,382	\$ (97,818)
Fund Balances - Beginning of year	51,282	442,866	234,732	728,880
Fund Balances - End of year	\$ 57,186	\$ 205,762	\$ 368,114	\$ 631,062

SINGLE AUDIT INFORMATION

Federal Grantor Pass Through Grantor Program Title Grant Number	Grant/Project Number	Federal CFDA Number	Approved Grant Award Amount	(Memo Only) Prior Year Expenditures	Accrued (Deferred) Revenue July 1, 2019	Adjustments	Federal Funds/ In- Kind Payments	Federal Expenditures	Accrued (Deferred) Revenue June 30, 2020
U.S. Department of Education									
Clusters:									
Child Nutrition Cluster - U.S. Department of Agriculture - Passed through the Michigan Department of Education: National School Lunch Program: Non-Cash Assistance (Commodities) - National School Lunch Program - Entitlement Commodities - 2019/2020									
	N/A	10.555	\$ 62,021	\$ -	\$ -	\$ -	\$ 62,021	\$ 62,021	\$ -
Cash Assistance:									
National School Breakfast Program 2018/2019	191970	10.553	49,990	44,738	-	-	5,252	5,252	-
National School Breakfast Program 2019/2020	201970	10.553	33,178	-	-	-	33,178	33,178	-
National School Lunch Program 2018/2019	191960	10.555	325,396	283,637	-	-	41,759	41,759	-
National School Lunch Program 2019/2020	201960	10.555	76,735	-	-	-	76,735	76,735	-
COVID 19 Unanticipated Grant Payments	200902	10.555	78,644	-	-	-	78,644	78,644	-
COVID 19 Unanticipated Grant Payments	201960	10.555	125,612	-	-	-	125,612	125,612	-
Total National Lunch Program			\$ 751,576	\$ 328,375	\$ -	\$ -	\$ 423,201	\$ 423,201	\$ -
Total Child Nutrition Cluster			\$ 751,576	\$ 328,375	\$ -	\$ -	\$ 423,201	\$ 423,201	\$ -
Medicaid Cluster - U.S. Department of Health and Human Services Passed through the Berrien RESA Medicaid Outreach - 2019/2020									
	N/A	93.778	\$ 15,660	\$ -	\$ -	\$ -	\$ 15,660	\$ 15,660	\$ -
Total Medicaid Cluster			\$ 15,660	\$ -	\$ -	\$ -	\$ 15,660	\$ 15,660	\$ -
Total federal program clusters			\$ 767,236	\$ 328,375	\$ -	\$ -	\$ 438,861	\$ 438,861	\$ -

ST. JOSEPH PUBLIC SCHOOLS

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2020

Federal Grantor Pass Through Grantor Program Title Grant Number	Grant/Project Number	Federal CFDA Number	Approved Grant Award Amount	(Memo Only) Prior Year Expenditures	Accrued (Deferred) Revenue July 1, 2019	Adjustments	Federal Funds/ In- Kind Payments	Federal Expenditures	Accrued (Deferred) Revenue June 30, 2020
Noncluster programs passed through the Michigan Department of Education:									
Grants to Local Educational Agencies - Title I, Part A									
Title I, Part A 1819	191530	84.010	\$ 260,933	\$ 242,467	\$ 23,112	\$ -	\$ 23,112	\$ -	\$ -
Title I, Part A 1920	201530	84.010	215,228	-	-	-	131,458	208,824	77,366
Total Title I, Part A			<u>\$ 476,161</u>	<u>\$ 242,467</u>	<u>\$ 23,112</u>	<u>\$ -</u>	<u>\$ 154,570</u>	<u>\$ 208,824</u>	<u>\$ 77,366</u>
Student Support and Academic Enrichment Grant - Title IV, Part A									
Title IV, Part A 1819	190750	84.424	\$ 12,007	\$ 10,650	\$ 2,246	\$ -	\$ 2,246	\$ -	\$ -
Title IV, Part A 1920	200750	84.424	15,621	-	-	-	15,025	15,025	-
Total Title IV, Part A			<u>\$ 27,628</u>	<u>\$ 10,650</u>	<u>\$ 2,246</u>	<u>\$ -</u>	<u>\$ 17,271</u>	<u>\$ 15,025</u>	<u>\$ -</u>
Improving Teacher Quality - Title II, Part A									
Title II, Part A 1819	190520	84.367	\$ 87,541	\$ 76,696	\$ 14,347	\$ -	\$ 14,347	\$ -	\$ -
Title II, Part A 1920	200520	84.367	70,215	-	-	-	58,424	63,627	5,203
Total Title II, Part A			<u>\$ 157,756</u>	<u>\$ 76,696</u>	<u>\$ 14,347</u>	<u>\$ -</u>	<u>\$ 72,771</u>	<u>\$ 63,627</u>	<u>\$ 5,203</u>
Total noncluster programs passed through the State of Michigan			<u>\$ 661,545</u>	<u>\$ 329,813</u>	<u>\$ 39,705</u>	<u>\$ -</u>	<u>\$ 244,612</u>	<u>\$ 287,476</u>	<u>\$ 82,569</u>
Noncluster programs passed through the Berrien RESA:									
Perkins Grant - 2019-2020	N/A	84.048	\$ 38,298	\$ -	\$ -	\$ -	\$ 38,298	\$ 38,298	\$ -
Total noncluster programs passed through the Berrien RESA			<u>\$ 38,298</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 38,298</u>	<u>\$ 38,298</u>	<u>\$ -</u>
Total noncluster programs			<u>\$ 699,843</u>	<u>\$ 329,813</u>	<u>\$ 39,705</u>	<u>\$ -</u>	<u>\$ 282,910</u>	<u>\$ 325,774</u>	<u>\$ 82,569</u>
Total Federal Financial Assistance			<u>\$ 1,467,079</u>	<u>\$ 658,188</u>	<u>\$ 39,705</u>	<u>\$ -</u>	<u>\$ 721,771</u>	<u>\$ 764,635</u>	<u>\$ 82,569</u>

Financial Statements

Type of auditors report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified? Yes No

Significant deficiency(ies) identified that are not considered to be material weakness(es)? Yes none reported

Noncompliance material to financial statements noted? Yes No

Federal Awards

Internal control over major programs:

Material weakness(es) identified? Yes No

Significant deficiency(ies) identified that are not considered to be material weakness(es)? Yes none reported

Type of auditors report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with Section 2 CRF 200.516 (a)? Yes No

Identification of major programs:

<u>CFDA</u>	<u>Name of Federal Program or Cluster</u>
10.553, 10.555, 10.556 & 10.559	Child Nutrition Cluster

Dollar threshold used to distinguish between type A and type B programs: \$750,000

Auditee qualified as low-risk auditee? Yes No

SECTION II –STATUS OF PRIOR YEAR FINANCIAL STATEMENT FINDINGS

There were no prior year findings.

SECTION III – FINANCIAL STATEMENT FINDINGS

There are no financial statement findings.

SECTION IV – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

There are no federal award findings or questioned costs.

ST. JOSEPH PUBLIC SCHOOLS

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS YEAR ENDED JUNE 30, 2020

NOTE 1. BASIS OF PRESENTATION:

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of St. Joseph Public Schools (the "District") under programs of the federal government for the year ended June 30, 2020. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (the "Uniform Guidance"). Because the Schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position, changes in net position, or cash flows of the District.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported in the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principals contained in Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. Passthrough entity identifying numbers are presented where available.

NOTE 3. FOOD DISTRIBUTION

The amounts reported on the Recipient Entitlement Balance Report ("PAL" report), agree with this schedule for USDA donated food commodities and are reported in the Federal Funds/In-Kind Payments column. Spoilage or pilferage, if any, is included in expenditures.

NOTE 4. SCHEDULE OF RECONCILIATION OF EXPENDITURES WITH EXPENDITURES FOR FEDERAL FINANCIAL ASSISTANCE PROGRAMS

The actual Federal source expenditures amounted to \$764,635 per the audit of the financial statements. The related expenditures are composed of the following:

	<u>Amount</u>
Actual cash expenditures	\$ 702,614
Entitlement commodities used	<u>62,021</u>
	<u>\$ 764,635</u>

ST. JOSEPH PUBLIC SCHOOLS

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2020

NOTE 5. INDIRECT COSTS

The District has elected not to use the 10 percent de minimus indirect cost rate to recover indirect costs as allowed under the Uniform Guidance.

NOTE 6. GRANT AUDITOR REPORT

Management has utilized the Cash Management System (“CMS”) Grant Auditor Report in preparing the Schedule. Unreconciled differences, if any, have been disclosed to the auditor.

NOTE 7. PASS-THROUGH SUBRECIPIENTS

The District did not pass-through any federal award dollars to any subrecipients

**MANAGEMENT COMPLIANCE
LETTERS**



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 of
St. Joseph Public Schools
St. Joseph, 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 St. Joseph Public Schools as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise St. Joseph Public Schools' basic financial statements and have issued our report thereon dated October 30, 2020.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

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

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*, Concluded

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.

Respectfully submitted,



Certified Public Accountants

St. Joseph, Michigan

October 30, 2020



Independent Auditor's Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance

To the Board of Education of
St. Joseph Public Schools
St. Joseph, Michigan

Report on Compliance for Each Major Federal Program

We have audited St. Joseph Public Schools' compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of St. Joseph Public Schools' major federal programs for the year ended June 30, 2020. St. Joseph Public Schools' major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of St. Joseph Public Schools' major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the St. Joseph Public Schools' compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of St. Joseph Public Schools' compliance.

Opinion on Each Major Federal Program

In our opinion, St. Joseph Public Schools, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2020.

Independent Auditor's Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance, Concluded

Report on Internal Control Over Compliance

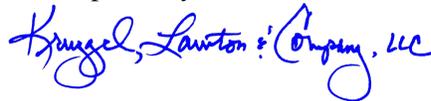
Management of St. Joseph Public Schools, is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered St. Joseph Public Schools' internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of St. Joseph Public Schools' internal control over compliance.

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

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

The purpose of the report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Respectfully submitted,



Certified Public Accountants

St. Joseph, Michigan
October 30, 2020