

ALMONT COMMUNITY SCHOOLS

REPORT ON FINANCIAL STATEMENTS
(with required supplementary and additional
supplementary information)

YEAR ENDED JUNE 30, 2020

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November 18, 2020

INDEPENDENT AUDITOR'S REPORT

To the Board of Education of
Almont Community Schools

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Almont Community Schools, as of June 30, 2020, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, and other 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 Almont Community Schools basic financial statements. The combining and individual non-major fund financial statements and other schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual non-major fund financial statements and other schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual non-major fund financial statements and other schedules 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 November 18, 2020, on our consideration of the Almont Community Schools' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Almont Community Schools' 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 Almont Community Schools' internal control over financial reporting and compliance.



LEWIS & KNOPF, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

ALMONT COMMUNITY SCHOOLS
MANAGEMENT DISCUSSION AND ANALYSIS

As administration of Almont Community Schools, we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2020.

Financial Highlights

- * The liabilities of the District exceeded its assets at the close of the most recent fiscal year by \$18,377,335 (net position).
- * The District's total net position increased by \$1,389,780. The increase was primarily due to an increase in property tax revenue and grant revenue. In addition, the district is starting to pay down on their long term debt.
- * The general fund had an increase in fund balance of \$447,127. At the end of the year, unassigned fund balance for the general fund was \$941,611, or 7%, of total general fund expenditures. Total fund balance for the general fund was \$1,844,630, or 14%, of total general fund expenditures.

Covid Note

Covid effected the district in more ways than one and will continue to for years to come. In the 2019-20 year we saw a decrease in many of our programs because of the closing of the district. We expect to see this change in the 2020-21 year as more PPE and virtual ways of learning are purchased.

Using this Annual Report

This annual report consists of a series of financial statements and notes to those statements. The statements are organized so the reader can understand the District financially as a whole. The District-Wide Financial Statements provide information about the activities of the whole School District, presenting both an aggregate view of the School District's finances and a longer-term view of those finances. The financial statements then proceed to provide an increasingly detailed look at specific financial activities included in the fund financial statements. For governmental activities, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements provide information about the School District's most significant fund - the General Fund. All other funds are presented in one column as non-major funds.

ALMONT COMMUNITY SCHOOLS
MANAGEMENT DISCUSSION AND ANALYSIS

<u>MAJOR FEATURES OF DISTRICT-WIDE AND FUND FINANCIAL STATEMENTS</u>			
	<u>District-Wide Statements</u>	<u>Fund Financial Statements</u>	
		<u>Governmental Funds</u>	<u>Fiduciary Funds</u>
Scope	Entire District (except Fiduciary Funds)	The activities of the District that are not proprietary or fiduciary such as special education and building maintenance	Instances in which the District administers resources on behalf of someone else, such as certain student activities monies
Required Financial Statements	* Statement of Net Position * Statement of Activities (Pages 1 and 2)	* Balance Sheet * Statement of Revenues, Expenditures and Changes in Fund Balances (Pages 3 and 4)	* Statement of Fiduciary Net Position * Statement of Changes in Fiduciary Net Position (Pages 5 and 6)
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting economic resources focus
Type of Asset/ Liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both short-term and long-term, The District's funds do not currently contain capital assets, although they can
Type of Inflow/ Outflow Information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year, expenditures when goods or services have been received	All additions and deductions during year, regardless of when cash is received or paid

Fund Financial Statements

The fund financial statements are reported on a modified accrual basis and consist of governmental funds. Governmental funds include most of the District's basic services which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending on future District programs.

Fiduciary funds are for assets that belong to others, such as certain student activities funds where the District is the trustee or fiduciary. The District cannot use these assets to finance its operations but it is responsible to ensure that these funds are used for their intended purposes. Only measurable and currently available funds are reported. Liabilities to beneficiaries are recognized when an event has occurred that compels the District to disburse fiduciary resources. Some of these funds are established by State law and by bond covenants while others can be established for the District to control and manage money for a particular purpose such as school lunch and athletics.

ALMONT COMMUNITY SCHOOLS
MANAGEMENT DISCUSSION AND ANALYSIS

SUMMARY OF NET POSITION:

<u>NET POSITION SUMMARY</u>		
	<u>2020</u>	<u>2019</u>
<u>ASSETS</u>		
Other Assets	\$4,035,692	\$4,039,739
Capital Assets	26,131,193	26,355,799
<u>TOTAL ASSETS</u>	\$30,166,885	\$30,395,538
<u>DEFERRED OUTFLOWS OF RESOURCES</u>		
	8,692,012	8,570,919
<u>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</u>	\$38,858,897	\$38,966,457
<u>LIABILITIES</u>		
Other Liabilities	31,106,713	30,336,054
Long-Term Liabilities	21,713,415	24,119,867
Total Liabilities	\$52,820,128	\$54,455,921
<u>DEFERRED INFLOWS OF RESOURCES</u>		
	4,416,104	4,277,651
<u>TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES</u>	\$57,236,232	\$58,733,572
<u>NET POSITION</u>		
Net Investment in Capital Assets	9,723,774	7,304,855
Restricted	559,507	783,018
Unrestricted	(28,660,616)	(27,854,988)
<u>TOTAL NET POSITION</u>	<u>(\$18,377,335)</u>	<u>(\$19,767,115)</u>

The above analysis focuses on the net position. The change in net position of the School District's governmental activities is discussed below. The net position differs from fund balances and a reconciliation appears on page 3.

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

An additional portion of the District's net position, \$559,507, represents resources that are subject to external restrictions on how they may be used. In the case of the School District, these amounts are restricted for debt service, food service and capital projects. Most of the debt will be repaid from voter-approved property taxes collected as the debt service comes due.

The results of this year's operations for the School District as a whole are reported in the statement of activities (see table above), which shows the changes in net position for fiscal year 2020.

ALMONT COMMUNITY SCHOOLS
MANAGEMENT DISCUSSION AND ANALYSIS

RESULTS OF OPERATIONS:

For the fiscal years ended June 30, 2020 and 2019, the District wide results of operations were:

	<u>2020</u>	<u>2019</u>
<u>REVENUES</u>		
<u>Program Revenues</u>		
Charges for Services	\$323,842	\$392,751
Operating Grants	<u>2,566,875</u>	<u>2,335,696</u>
Total Program Revenues	\$2,890,717	\$2,728,447
<u>General Revenues:</u>		
Property Taxes	4,452,930	4,165,205
State Sources - Unrestricted	10,289,776	10,272,600
Interdistrict Sources	60,660	37,279
Other General Revenues	<u>245,101</u>	<u>472,057</u>
Total General Revenues	<u>\$15,048,467</u>	<u>\$14,947,141</u>
Total Revenues	\$17,939,184	\$17,675,588
<u>EXPENSES</u>		
Instruction & Instructional Support	9,282,392	8,672,918
Support Services	4,894,871	5,088,754
Community Services	60,667	75,264
Outgoing Transfers and Other Transactions	179,831	154,100
Food Service	402,005	362,124
Interest on Long-Term Debt	792,798	805,786
Depreciation	<u>936,840</u>	<u>927,878</u>
Total Expenses	<u>\$16,549,404</u>	<u>\$16,086,824</u>
<u>CHANGE IN NET POSITION</u>	<u>\$1,389,780</u>	<u>\$1,588,764</u>

The District's net position increased by \$1,389,780 during the current fiscal year. The increase in net position differs from the change in fund balances and a reconciliation appears on page 4.

The net cost shows the financial burden that was placed on the State and the School District's taxpayers by each of these functions. Since property taxes for operations and unrestricted State aid constitute the vast majority of the School District's operating revenue sources, the Board of Education and Administration must annually evaluate the needs of the School District and balance those needs with State-prescribed available unrestricted resources.

Student Enrollment

Student enrollment decreased from 1,464 in 2018-19 to 1,457 in 2019-20.

ALMONT COMMUNITY SCHOOLS
MANAGEMENT DISCUSSION AND ANALYSIS

General Fund Budgeting and Operating Highlights

The School District's budgets are prepared according to Michigan law. The most significant budgeted fund is the General Fund.

Revenues

The general fund actual revenue and other financing sources was \$14,064,056. That amount is less than the final budget estimate of \$14,478,633. The variance was \$414,577, or 3%. The variance was due to confusion of the timing of CRF funds for COVID related costs for the district.

Expenditures

The actual expenditures and other financing uses of the general fund were \$13,616,929, which is less the final budget estimate of \$14,172,768. The variance was \$555,839, or 4%. The variance was due to a decrease in cost due to the district being shut down from April – June.

The general fund had total revenues of \$14,064,056 and total expenditures of \$13,616,929 with a net increase in fund balance of \$447,127 and an ending fund balance of \$1,844,630.

Capital Asset and Debt Administration

A. **Capital Assets**

The District's investment in capital assets for its governmental activities as of June 30, 2020 amounted to \$26,131,193 (net of accumulated depreciation). This investment in capital assets included land, land improvements, construction, machinery and equipment, and licensed vehicles. Capital assets at fiscal year-end included the following:

	Capital Assets (Net of Depreciation)	
	<u>2020</u>	<u>2019</u>
Land	\$579,580	\$579,580
Buildings and Improvements	25,446,244	25,666,042
Equipment and Furniture	96,921	99,702
Vehicles and Buses	8,448	10,475
<u>Total capital assets, net</u>	<u>\$26,131,193</u>	<u>\$26,355,799</u>

Additional information on the District's capital assets can be found in Note 4.

ALMONT COMMUNITY SCHOOLS
MANAGEMENT DISCUSSION AND ANALYSIS

Capital Asset and Debt Administration (Continued)

B. Debt

At the end of the current fiscal year, the District had total long-term debt outstanding of \$21,713,415. Long-term debt at fiscal year-end included the following:

	Long-Term Debt	
	2020	2019
General Obligation Bonds	\$16,595,260	\$19,261,790
Notes from Direct Borrowings and Direct Placements	5,019,017	4,758,333
Compensated Absences	99,138	99,744
Total Long-Term Debt	\$21,713,415	\$24,119,867

The District's total bonded debt decreased by \$2,530,000 during the current fiscal year due to the District making scheduled debt payments. Additional information on the District's long-term debt can be found in Note 6.

Economic Factors and Next Year's Budget

The following factors will affect the District in the future and were considered in preparing the District's budget for the 2020-21 fiscal year:

* Foundation Allowance

The Board of Education and Administration agreed to an estimate of a foundation allowance of \$7,461 per pupil for the 2020-21 fiscal year, a \$650 per pupil decrease from 2019-20, based on information received from various educational organizations such as Michigan School Business Officials, Michigan Association of School Administrators, and the Michigan Association of School Boards as well as discussions with local state representatives. The political debate regarding the funding of public education, the current economic climate in the State of Michigan will all affect this estimate before the final foundation allowance is known.

* Retirement Rate

The continuing cost of health insurance to current and potential retirees continues to drive the rate increase the Michigan School Employees Retirement System recommends to the legislature for approval. In 2020-21, the rate is anticipated to increase to 28.21% from 27.5% effective October 1, 2020. Additionally, the District will be required to pay 14.51%, for all wages earned October 1, 2020 and later, for the Unfunded Actuarial Accrued Liability (UAAL).

* The Almont Community Schools' 2020/2021 adopted budget is as follows:

<u>REVENUE</u>	\$13,506,551
<u>EXPENDITURES</u>	14,389,925
<u>NET (UNDER) BUDGET</u>	(\$883,374)

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

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

BASIC FINANCIAL STATEMENTS

ALMONT COMMUNITY SCHOOLS
STATEMENT OF NET POSITION
JUNE 30, 2020

	Governmental Activities
<u>ASSETS</u>	
Cash and Cash Equivalents	\$1,913,742
Receivables:	
Accounts Receivable	26,854
Due from Other Governmental Units	2,061,153
Inventory	14,298
Prepaid Expenditures	19,645
Capital Assets, Not Being Depreciated - Land	579,580
Capital Assets - Net of Accumulated Depreciation	25,551,613
Total Assets	\$30,166,885
 <u>DEFERRED OUTFLOWS OF RESOURCES</u>	
Deferred Loss on Bond Refunding	187,841
Related to Pensions	6,861,325
Related to Postemployment Benefits	1,642,846
Total Deferred Outflows of Resources	\$8,692,012
 <u>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</u>	
	\$38,858,897
 <u>LIABILITIES</u>	
Accounts Payable	148,033
State Aid Note Payable	228,571
Due to Other Governmental Units	143,926
Accrued Expenditures	361,021
Salaries Payable	731,306
Unearned Revenue	18,698
Non-Current Liabilities - Due Within One Year	2,746,530
Non-Current Liabilities - Due in More Than One Year	18,966,885
Net Pension Liability	24,304,277
Net Other Postemployment Benefits Liability	5,170,881
Total Liabilities	\$52,820,128
 <u>DEFERRED INFLOWS OF RESOURCES</u>	
Related to State Aid Funding for Pension and Other Postemployment Benefits	791,238
Related to Pensions	1,419,135
Related to Other Postemployment Benefits	2,205,731
Total Deferred Inflows of Resources	\$4,416,104
 <u>TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES</u>	
	\$57,236,232
 <u>NET POSITION</u>	
Net Investment in Capital Assets	9,723,774
Restricted	559,507
Unrestricted	(28,660,616)
 <u>TOTAL NET POSITION</u>	 (\$18,377,335)

See notes to financial statements.

ALMONT COMMUNITY SCHOOLS
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2020

<u>FUNCTIONS/PROGRAMS</u>	<u>Expenses</u>	<u>Program Revenues</u>		<u>Governmental</u>
		<u>Charges For</u>	<u>Program</u>	<u>Activities</u>
		<u>Services</u>	<u>Specific</u>	<u>Net (Expense)</u>
			<u>Operating</u>	<u>Revenue and</u>
			<u>Grants and</u>	<u>Change in</u>
			<u>Contributions</u>	<u>Net Position</u>
Governmental Activities:				
Instruction	\$9,282,392	\$27,007	\$973,945	(\$8,281,440)
Support Services	4,894,871	76,186	1,276,932	(3,541,753)
Community Services	60,667	73,226	0	12,559
Outgoing Transfers and Other Transactions	179,831	0	0	(179,831)
Food Service	402,005	147,423	315,998	61,416
Interest - Long-Term Obligations	792,798	0	0	(792,798)
Depreciation - Unallocated	936,840	0	0	(936,840)
<u>Total Governmental Activities:</u>	<u>\$16,549,404</u>	<u>\$323,842</u>	<u>\$2,566,875</u>	<u>(\$13,658,687)</u>
General Revenues:				
Taxes:				
Property Taxes - Levied for General Purposes				1,059,539
Property Taxes - Levied for Debt Retirement				3,045,558
Property Taxes - Levied for Capital Projects				347,833
State Sources - Unrestricted				10,289,776
Interdistrict Sources				60,660
Investment Earnings				33,700
Other				211,401
Total General Revenues and Transfers				<u>\$15,048,467</u>
Change in Net Position				<u>\$1,389,780</u>
Net Position - Beginning of Year				<u>(19,767,115)</u>
<u>Net Position - End of Year</u>				<u>(\$18,377,335)</u>

See notes to financial statements.

ALMONT COMMUNITY SCHOOLS
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2020

	General Fund	Non-Major Governmental Funds	Total Governmental Funds
<u>ASSETS</u>			
Cash and Cash Equivalents	\$1,129,776	\$783,966	\$1,913,742
Receivables:			
Accounts Receivable	22,371	4,483	26,854
Due from Other Funds	171,154	28,326	199,480
Due from Other Governmental Units	2,030,270	30,883	2,061,153
Inventory	0	14,298	14,298
Prepaid Expenditures	19,645	0	19,645
<u>TOTAL ASSETS</u>	<u>\$3,373,216</u>	<u>\$861,956</u>	<u>\$4,235,172</u>
<u>LIABILITIES</u>			
Accounts Payable	\$131,849	\$16,184	\$148,033
State Aid Note Payable	228,571	0	228,571
Due to Other Funds	28,372	171,108	199,480
Due to Other Governmental Units	143,926	0	143,926
Accrued Expenditures	261,313	0	261,313
Salaries Payable	731,306	0	731,306
Unearned Revenue	3,249	15,449	18,698
Total Liabilities	<u>\$1,528,586</u>	<u>\$202,741</u>	<u>\$1,731,327</u>
<u>FUND BALANCES</u>			
Non-Spendable			
Inventory	0	14,298	14,298
Prepaid Expenditures	19,645	0	19,645
Restricted			
Food Service	0	130,497	130,497
Debt Service	0	484,067	484,067
Capital Projects	0	30,353	30,353
Assigned - Subsequent Year Expenditures:	883,374	0	883,374
Unassigned	941,611	0	941,611
Total Fund Balances	<u>\$1,844,630</u>	<u>\$659,215</u>	<u>\$2,503,845</u>
<u>TOTAL LIABILITIES AND FUND BALANCES</u>	<u>\$3,373,216</u>	<u>\$861,956</u>	<u>\$4,235,172</u>

See notes to financial statements.

ALMONT COMMUNITY SCHOOLS
RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET POSITION OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2020

Total Governmental Fund Balances:		\$2,503,845
Amounts reported for governmental activities in the statement of net position are different because:		
Deferred Outflows of Resources - Related to Bond Refunding		187,841
Deferred Outflows of Resources - Related to Pensions		6,861,325
Deferred Outflows of Resources - Related to Postemployment Benefits		1,642,846
Deferred Inflows Related to State Aid Funding for Pension and Other Postemployment Benefits		(791,238)
Deferred Inflows of Resources - Related to Pensions		(1,419,135)
Deferred Inflows of Resources - Related to Other Postemployment Benefits		(2,205,731)
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental fund:		
Cost of Assets	\$44,818,411	
Accumulated Depreciation	<u>(18,687,218)</u>	
Capital Assets - Net of Accumulated Depreciation		26,131,193
Accrued Interest on Long-Term Debt		(99,708)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-term liabilities at year end consist of:		
General Obligation Bonds	\$16,595,260	
Notes from Direct Borrowings and Direct Placements	5,019,017	
Compensated Absences	<u>99,138</u>	
Total Long-Term Liabilities		(21,713,415)
Net Pension Liability		(24,304,277)
Net Other Postemployment Benefits Liability		<u>(5,170,881)</u>
<u>TOTAL NET POSITION -</u>		<u>(\$18,377,335)</u>
<u>GOVERNMENTAL ACTIVITIES</u>		

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

	General Fund	Non-Major Governmental Funds	Total Governmental Funds
<u>REVENUES</u>			
Local Sources	\$1,462,743	\$3,559,130	\$5,021,873
State Sources	12,242,018	14,804	12,256,822
Federal Sources	298,635	301,194	599,829
Interdistrict Sources	60,660	0	60,660
Total Revenues	<u>\$14,064,056</u>	<u>\$3,875,128</u>	<u>\$17,939,184</u>
<u>EXPENDITURES</u>			
Instruction	8,530,789	0	8,530,789
Student Services	444,070	0	444,070
Instructional Support	188,511	0	188,511
General Administration	350,106	0	350,106
School Administration	970,831	0	970,831
Business Administration	366,098	0	366,098
Operation & Maintenance of Plant	1,017,621	0	1,017,621
Transportation	882,251	0	882,251
Other Support Services	289,481	0	289,481
Athletics	241,718	0	241,718
Community Services	55,251	0	55,251
Outgoing Transfers and Other Transactions	279,831	0	279,831
Food Service Activities	0	402,005	402,005
Debt Service			
Redemption of Bonds	0	2,430,000	2,430,000
Interest	0	649,680	649,680
Dues and Fees	0	1,300	1,300
Capital Outlay	0	742,764	742,764
Total Expenditures	<u>\$13,616,558</u>	<u>\$4,225,749</u>	<u>\$17,842,307</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	\$447,498	(\$350,621)	\$96,877
<u>OTHER FINANCING SOURCES (USES)</u>			
Transfers In	0	371	371
Transfers Out	(371)	0	(371)
Bond Proceeds	0	105,601	105,601
Total Other Financing Sources (Uses)	<u>(\$371)</u>	<u>\$105,972</u>	<u>\$105,601</u>
Net Change in Fund Balance	<u>\$447,127</u>	<u>(\$244,649)</u>	<u>\$202,478</u>
<u>FUND BALANCE - BEGINNING OF YEAR</u>	<u>1,397,503</u>	<u>903,864</u>	<u>2,301,367</u>
<u>FUND BALANCE - END OF YEAR</u>	<u>\$1,844,630</u>	<u>\$659,215</u>	<u>\$2,503,845</u>

See notes to financial statements.

ALMONT COMMUNITY SCHOOLS
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2020

Total net change in fund balances - governmental funds	\$202,478
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Amounts reported for governmental activities in the statement of activities are different because:

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

Capital Outlay	712,234
Depreciation Expense	(936,840)

Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. This is the amount of repayments reported as expenditures in the governmental funds.

2,530,000

Net Change in Michigan School Bond Loan Fund	(260,684)
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Amortization of :

Bond Premium	136,530
Deferred Loss on Refunding	(23,005)

Change in accrued compensated absences	606
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Change in accrued interest on long-term liabilities	13,265
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Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental Funds.

State Aid Funding for Pension and Other Postemployment Benefits	29,471
Pension Related Items	(1,473,477)
OPEB Related Items	459,202

<u>CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES</u>	<u>\$1,389,780</u>
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ALMONT COMMUNITY SCHOOLS
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
FIDUCIARY FUND - AGENCY FUND
JUNE 30, 2020

	Trust & Agency	Private Purpose Trusts	Total
<u>ASSETS</u>			
Cash and Cash Equivalents	\$183,566	\$0	\$183,566
Investments	0	11,704	11,704
<u>TOTAL ASSETS</u>	\$183,566	\$11,704	\$195,270
<u>LIABILITIES</u>			
Due to Student Groups	183,566	0	183,566
<u>NET POSITION - RESTRICTED FOR TRUST ACTIVITIES</u>	\$0	\$11,704	\$11,704

See notes to the financial statements.

ALMONT COMMUNITY SCHOOLS
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUND
YEAR ENDED JUNE 30, 2020

	<u>Private Purpose Trusts</u>
<u>REVENUE</u>	
Interest/Unrealized Gains	\$300
<u>EXPENDITURES</u>	
Scholarship Awards	<u>3,500</u>
<u>CHANGE IN NET ASSETS</u>	(\$3,200)
<u>NET POSITION - BEGINNING OF YEAR</u>	<u>14,904</u>
<u>NET POSITION - END OF YEAR</u>	<u>\$11,704</u>

See notes to the financial statements.

ALMONT COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A) DESCRIPTION OF GOVERNMENT-WIDE FINANCIAL STATEMENTS

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the District. All fiduciary activities are reported only in the fund financial statements. Governmental activities normally are supported by taxes, intergovernmental revenues, and other nonexchange transactions.

B) REPORTING ENTITY

The District is governed by an elected seven-member Board of Education. The accompanying basic financial statements have been prepared in accordance with criteria established by the 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 part of the District's reporting entity and which organizations are legally separate component units of the District. Based on application of the criteria, the District does not contain component units.

The District receives funding from local, state, federal and interdistrict government sources and must comply with the accompanying requirements of these funding source entities. However, the District is not included in any other governmental "reporting entity" body that has separate legal standing and is fiscally independent of the governmental entities. As such, the Board of Education has decision-making authority, the authority to levy taxes, and determine its budget, the power to designate management, the ability to significantly influence operations and primary accountability for fiscal matters.

C) BASIS OF PRESENTATION - GOVERNMENT-WIDE FINANCIAL STATEMENTS

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from the governmental funds. Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

D) BASIS OF PRESENTATION - FUND FINANCIAL STATEMENTS

The fund financial statements provide information about the District's funds, including its fiduciary funds (if any). Separate statements for each fund category - governmental and fiduciary - are presented. The emphasis of fund financial statements is on major governmental funds. All remaining governmental funds are aggregated and reported as nonmajor funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

The School District reports the following major governmental fund:

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

The School District reports the following fund types:

Special Revenue Funds - Special revenue funds are used to segregate, for administrative purposes, the transactions of the School District's food service operations from General Fund revenue and expenditure accounts. The School District maintains full control of these funds. Any deficits generated by these activities are the responsibility of the General Fund. The main sources of revenue for these funds are food sales to pupils, free/reduced breakfast and lunch reimbursement from federal funds and funds received from the State.

ALMONT COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D) BASIS OF PRESENTATION - FUND FINANCIAL STATEMENTS (Continued)

Debt Retirement Funds - The Debt Retirement Fund are used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs.

Capital Projects Sinking Funds - The Capital Projects Sinking Funds records capital project activities funded with Sinking Fund millage. For this fund, the school district has complied with the applicable provision of §1212 of the Revised School Code.

Student Activities Agency Fund - The School District maintains an Agency Fund to record the transactions of student groups for school and school-related purposes. The funds are segregated and held in trust for the students.

Expendable Trust Funds – Expendable trust funds are used to account for funds entrusted to the District, and the principal, or corpus, of the trust and the income produced are expendable.

During the course of operations the District has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds. While these balances are reported in the fund financial statements, they are eliminated in the preparation of the government-wide financial statements.

Further, certain activity occurs during the year involving transfers of resources between funds. In the fund financial statements these amounts are reported at gross amounts as transfers in/out. While reported in the fund financial statements, they are eliminated in the preparation of the government-wide financial statements.

E) MEASUREMENT FOCUS, BASIS OF ACCOUNTING

The accounting and financial reporting treatment applied to the financial statements is determined by its measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as current financial resources or economic resources. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

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

Government-wide Financial Statements - The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. 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.

Fiduciary Fund Financial Statements (if any) 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.

ALMONT COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E) MEASUREMENT FOCUS, BASIS OF ACCOUNTING (Continued)

The 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. Revenue not meeting this definition is classified as a deferred inflow of resources. For this purpose, the School District considers revenue to be available if it is collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, state and federal 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 School District.

Amounts reported as program revenue include (1) charges to customers or applicants for goods, services, or privileges provided and (2) operating grants and contributions. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all taxes and unrestricted state aid.

F) CASH AND CASH EQUIVALENTS

Cash and cash equivalents include amounts in demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

In accordance with Michigan Compiled Laws, the District is authorized to invest in the following investment vehicles:

- a. Bonds, securities, and other obligations of the United States or an agency or instrumentality of the United States.
- b. Certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank which is a member of the Federal Deposit Insurance Corporation (FDIC) or a savings and loan association which is a member of the Federal Savings and Loan Insurance Corporation (FSLIC) or a credit union which is insured by the National Credit Union Administration (NCUA), but only if the bank, savings and loan association, or credit union is eligible to be a depository of surplus funds belonging to the State under section 5 or 6 of Act No. 105 of the Public Acts of 1855, as amended, being Section 21.145 and 21.146 of the Michigan Compiled Laws.
- c. Commercial paper rated at the time of purchase within the three (3) highest classifications established by not less than two (2) standard rating services and which matures not more than 270 days after the date of purchase.
- d. The United States government or federal agency obligations repurchase agreements.
- e. Bankers acceptances of United States banks.
- f. Mutual funds composed of investment vehicles, which are legal for direct investment by local units of government in Michigan.

ALMONT COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F) CASH AND CASH EQUIVALENTS/INVESTMENTS (Continued)

Michigan Compiled Laws allow for collateralization of government deposits, if the assets for pledging are acceptable to the State Treasurer under Section 3 of 1855 PA 105, MCL 21.143, to secure deposits of State surplus funds, securities issued by the Federal Loan Mortgage Corporation, Federal National Mortgage Association, or Government National Mortgage Association.

G) INVENTORIES AND PREPAID COSTS

Inventories are valued at cost, on a first-in, first-out basis. Inventories of governmental funds, including commodities received from the United States Department of Agriculture, are recorded as expenditures when consumed rather than when purchased.

Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid costs in both government-wide and fund financial statements.

H) CAPITAL ASSETS

General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net position but are not reported in the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) using a \$5,000 capitalization threshold and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The School District does not possess any infrastructure. Improvements are capitalized; the cost of normal maintenance and repairs that do not add to the value of the asset or materially extend an assets life are not. Interest incurred during the construction of capital assets is also capitalized.

All reported capital assets are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

<u>Description</u>	<u>Governmental Activities</u> <u>Estimated Lives</u>
Buildings and Improvements	20 – 50 years
Furniture and Equipment	5 – 15 years
Vehicles and Buses	8 – 10 years

I) INTERFUND BALANCES

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as “interfund receivables/payables.” These amounts are eliminated in the governmental activities columns of the statement of net position.

J) UNEARNED REVENUE

The District reports unearned revenue on its governmental funds balance sheet. Unearned revenues arise when potential revenue does not meet both the “measurable” and “available” criteria for recognition in the current period. Unearned revenues also arise when the District receives resources before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the government has a legal claim to the resources, the liability for unearned revenue is removed from the combined balance sheet and revenue is recognized.

ALMONT COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

K) COMPENSATED ABSENCES

Teachers earn sick days at the rate of 10 days per year. Other employees earn sick days depending on the number of months employed and their union contract. At the end of the school year, teachers are paid for any accumulated sick days over 60 days, and support staff for any over 80 days. Employees, either upon retirement and acceptance into the Michigan School Employees' Retirement System or upon resignation for certain employees, shall be compensated at a daily rate based on their contracts. The total estimated liability for unpaid sick days, including salary-related payments, was \$99,138 at June 30, 2020.

L) LONG-TERM OBLIGATIONS

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as debt service expenditures.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period.

The face amount of debt issued is reported as other financing sources. 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.

M) DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

Deferred Outflows

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 qualify for reporting in this category. They are the deferred charge on refunding, pension and other postemployment benefits related items reported in the government-wide statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. A deferred outflow is recognized for pension and other postemployment benefit related items. These amounts are expensed in the plan year in which they apply.

Deferred Inflows

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 so will *not* be recognized as an inflow of resources (revenue) until that time. The District has three items that qualifies for reporting in this category. The first is restricted state aid funding deferred to offset deferred outflows related to section 147c pension and other postemployment benefit contributions subsequent to the measurement period. The second and third items are future resources yet to be recognized in relation to the pension and other postemployment benefit actuarial calculation. These future resources arise from differences in the estimates used by the actuary to calculate the pension and other postemployment benefit liability and the actual results. The amounts are amortized over a period determined by the actuary.

ALMONT COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

N) DEFINED BENEFIT PLAN

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

O) NET POSITION FLOW ASSUMPTION

Sometimes the District will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted - net position and unrestricted - net position in the government-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.

P) FUND BALANCE FLOW ASSUMPTION

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 of the 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.

Q) FUND BALANCE POLICIES

Fund balances for each of the District's governmental funds are displayed in the following classifications depicting the relative strength of the spending constraints placed on the purposes for which resources can be used:

- * Nonspendable fund balance - amounts that cannot be spent because they are either not in a spendable form (such as inventories and prepaid amounts) or are legally or contractually required to be maintained intact.
- * Restricted fund balance - amounts that can be spent only for specific purposes because of constraints imposed by external providers (such as grantors, bondholders, and higher levels of government), or imposed by constitutional provisions or enabling legislation. The District's Capital Projects Fund, Debt Service Fund and Food Service balances are considered restricted.
- * Committed fund balance - amounts that have been formally set aside by specific purposes. Commitments are made and can be rescinded only via resolution of the Board of Education.
- * Assigned fund balance - amounts the District intends to use for specific purposes that do not meet the criteria to be classified as restricted or committed. The intent is expressed by the Board of Education.
- * Unassigned fund balance - amounts that are available for any purpose; these amounts can be reported only in the District's General Fund.

In the general fund, the goal of the District shall be to maintain a minimum unassigned fund balance of no less than 5% of the preceding year's expenditures.

ALMONT COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

R) REVENUE

The State of Michigan utilizes a foundation allowance funding 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. The School Aid Act and the School Code of Michigan primarily govern revenues from state sources. 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.

Property taxes levied by the District are collected by various municipalities and periodically remitted to the District. The District levies its property taxes on December 1 and various municipalities collect its property taxes and remit them to the District through February. The delinquent real property taxes of the District are purchased by the County, and delinquent personal property taxes continue to be collected by the municipalities and recorded as revenue as they are collected. The county sells tax notes, the proceeds of which have been used to pay the District for these delinquent real property taxes. These delinquent real property taxes have been recorded as revenue in the current year.

S) USE OF ESTIMATES

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

T) MICHIGAN PUBLIC SCHOOL ACCOUNTING MANUAL

The accompanying financial statements have been prepared on a basis substantially consistent with the Michigan Public School Accounting Manual (Bulletin 1022), which outlines the accounting procedures and policies for school districts required by the Michigan State Board of Education.

U) BUDGETARY INFORMATION

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the general fund and special revenue fund. The capital projects fund is appropriated on a project-length basis. Other funds do not have appropriated budgets.

Appropriations in all budgeted funds lapse at the end of the fiscal year even if they have related encumbrances. Encumbrances are commitments related to unperformed (executor) contracts for goods or services (i.e., purchase orders, contracts, and commitments). The District does not utilize encumbrance accounting.

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

1. The Superintendent submits to the School Board a proposed operating budget for the fiscal year commencing on July 1. The operating budget includes proposed expenditures and the means of financing them. The level of control for the budgets is at the functional level as set forth and presented as required supplementary information.
2. Public hearings are conducted to obtain taxpayer comments.

ALMONT COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

U) BUDGETARY INFORMATION (Continued)

3. Prior to July 1, the budget is legally adopted by School Board resolution pursuant to the Uniform Budgeting and Accounting Act (1968 PA 2). The Act requires that the budget be amended prior to the end of the fiscal year when necessary to adjust appropriations if it appears that revenues and other financing sources will be less than anticipated or so that expenditures will not be in excess of original estimates. Expenditures shall not be made or incurred, unless authorized in the budget, in excess of the amount appropriated. Violations, if any, in the general fund are noted in the required supplementary information section.
4. Transfers may be made for budgeted amounts between major expenditure functions within any fund; however, these transfers and any revisions that alter the total expenditures of any fund must be approved by the School Board.
5. The budget was amended during the year with supplemental appropriations, the last one approved prior to year-end June 30, 2020. The District does not consider these amendments to be significant.

2) DEPOSITS AND INVESTMENTS

As of June 30, 2020 the District had deposits and investments subject to the following risk:

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, \$1,236,692 of the District's bank balance of \$2,372,533 was exposed to custodial credit risk because it was uninsured and uncollateralized. The carrying value on the books for deposits at the end of the year was \$2,097,308.

Custodial credit risk – investments. For an investment, this is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

The District will minimize custodial credit risk, which is the risk of loss due to the failure of the security issuer or backer, by; limiting investments to the types of securities allowed by law; and pre-qualifying the financial institutions, broker/dealers, intermediaries and advisors with which the District will do business.

Interest rate risk. In accordance with its investment policy, the District will minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by; structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the open market; and, investing operating funds primarily in shorter-term securities, liquid asset funds, money market mutual funds, or similar investment pools and limiting the average maturity in accordance with the District's cash requirements.

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.

ALMONT COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS

2) DEPOSITS AND INVESTMENTS (Continued)

At year end, the maturities of investment and the credit quality ratings of debt securities, (other than the U.S. government) are as follows:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Weighted Average Maturity</u>	<u>Rating</u>	<u>%</u>
Open-End Mutual Funds	<u>\$ 11,704</u>	<u>N/A</u>	<u>N/A</u>	<u>100.00%</u>

Foreign currency risk. The District is not authorized to invest in investments which have this type of risk.

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

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

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

The District's fair value measurements as of June 30, 2020 consisted of open-end mutual funds of \$11,704, valued using quoted market prices (Level 1 inputs).

The above amounts are reported in the financial statements as follows:

Cash – Agency Fund	\$ 183,566
Cash – District Wide	1,913,742
Investments – Private Purpose Trusts	<u>11,704</u>
<u>TOTAL</u>	<u>\$ 2,109,012</u>

ALMONT COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS

3) RECEIVABLES – DUE FROM OTHER GOVERNMENTAL UNITS

Receivables at June 30, 2020, consist of taxes, accounts (fees), intergovernmental grants and interest. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds.

A summary of the principal items of intergovernmental receivables (due from other governmental units) follows:

<u>GOVERNMENTAL ACTIVITIES</u>	<u>AMOUNT</u>
State Aid	\$ 1,992,989
Federal Grants	59,256
Other Grant Programs & Fees	<u>8,908</u>
 <u>TOTAL GOVERNMENTAL ACTIVITIES</u>	 <u>\$ 2,061,153</u>

4) CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2020, was as follows:

	<u>Balance</u> <u>Beginning</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>Ending</u>
<u>GOVERNMENTAL ACTIVITIES</u>				
Land - Not Being Depreciated	\$579,580	\$0	\$0	\$579,580
Buildings and Improvements	41,596,236	667,219	31,746	42,231,709
Equipment and Furniture	1,930,078	45,015	6,545	1,968,548
Vehicles and Buses	38,574	0	0	38,574
Totals at Historical Cost	<u>\$44,144,468</u>	<u>\$712,234</u>	<u>\$38,291</u>	<u>\$44,818,411</u>
Less: Accumulated Depreciation				
Buildings and Improvements	(15,930,194)	(887,017)	(31,746)	(16,785,465)
Equipment and Furniture	(1,830,376)	(47,796)	(6,545)	(1,871,627)
Vehicles and Buses	(28,099)	(2,027)	0	(30,126)
Total Accumulated Depreciation	<u>(\$17,788,669)</u>	<u>(\$936,840)</u>	<u>(\$38,291)</u>	<u>(\$18,687,218)</u>
 <u>GOVERNMENTAL ACTIVITIES</u>				
<u>CAPITAL ASSETS - NET</u>	<u>\$26,355,799</u>	<u>(\$224,606)</u>	<u>\$0</u>	<u>\$26,131,193</u>

Depreciation expense was unallocated on the Statement of Activities as the District considers all fixed assets to have mixed use.

Net investment in capital assets consists of the following:

Capital Assets	\$ 44,818,411
Less: Accumulated Depreciation	(18,687,218)
Add: Deferred Charge on Refunding	187,841
Less: Related Long-Term Liabilities	<u>(16,595,260)</u>
 <u>NET INVESTMENT IN CAPITAL ASSETS</u>	 <u>\$ 9,723,774</u>

ALMONT COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS

5) SHORT-TERM DEBT

In August, 2019, the District borrowed \$1,600,000 (set aside) at 1.3% on a State Aid Anticipation Note. The note proceeds were used to meet cash flow needs for the 2019-2020 fiscal year. The note is secured by the full faith and credit of the District as well as pledged state aid. In an event of a default on the note, the state may impose a penalty interest rate and at the state's discretion, accelerate the repayment terms. Activity for the year ended June 30, 2020 is as follows:

	Balance Beginning	Additions	Deductions	Balance Ending
State Aid Note	\$228,571	\$1,600,000	\$1,600,000	\$228,571

6) GENERAL LONG-TERM DEBT

The following is a summary of long-term obligations for the District for the year ended June 30, 2020:

	Balance Beginning	Additions	Deductions	Balance Ending	Amount Due in One Year
<u>Governmental Activities:</u>					
General Obligation Bonds	\$19,261,790	\$0	\$2,666,530	\$16,595,260	\$2,746,530
Notes from Direct Borrowings and Direct Placements	4,758,333	260,684	0	5,019,017	0
Compensated Absences	99,744	0	606	99,138	0
<u>Total Governmental Activities</u>	\$24,119,867	\$260,684	\$2,667,136	\$21,713,415	\$2,746,530

GENERAL OBLIGATIONS BONDS

2012 Refunding Bonds - dated April 27, 2012, in the amount of \$8,535,000, bearing interest at rates varying from 3.5% to 4.0% per annum, matures in 2032.	\$ 5,000,000
2012 Energy Conservation bonds - dated July 10, 2012, in the amount of \$1,200,000 with interest rates at 4.49% per annum, matures in 2025, paid out of the general fund.	500,000
2013 SLRF Refunding bonds - dated April 9, 2013, in the amount of \$8,110,000 with an interest rates varying from 0.55% to 2.55% per annum, matures in 2021.	1,400,000
2013 Refunding Bonds – dated October 30, 2013, in the amount of \$6,805,000 with interest rates at 4% per annum, matures in 2026.	2,635,000
2016 Refunding Bonds – dated February 18, 2016, in the amount of \$6,845,000 with interest rates at 4% per annum, matures in 2027.	6,165,000
Bond Premium	895,260
TOTAL GENERAL OBLIGATION BONDS	\$ 16,595,260

ALMONT COMMUNITY SCHOOLS
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6) GENERAL LONG-TERM DEBT (Continued)

NOTES FROM DIRECT BORROWINGS AND DIRECT PLACEMENTS

Michigan School Bond Loan Fund - The School District has entered into a loan agreement with the Michigan School Bond Loan Fund to borrow monies over a period of years sufficient to extinguish the interest and principal requirements as they become due. The School is required to begin repaying the debt at the point where the School District's State Equalized Valuation times its levy will be in excess of its interest and principal requirements. The loan shall bear interest at the average interest rate computed to the

nearest one-eighth of one percent, paid by the State on obligations issued pursuant to Section 16 of Article IX of the State Constitution of 1983. Interest of \$155,083 has been assessed for the year ended June 30, 2020, and is included in the amount owing the State at that date. The state may apply a default late charge on the note if the District does not make the repayments, or apply the default late charge if the District fails to levy the appropriate debt mills. The state may also withhold state aid payments if the District is in default.

\$ 5,019,017

COMPENSATED ABSENCES

99,138

TOTAL GENERAL LONG-TERM OBLIGATIONS

\$ 21,713,415

The District's outstanding notes from direct borrowings and direct placements related to governmental activities of \$5,019,017 contains provisions that in an event of default, either by (1) unable to make principal or interest payments (2) false or misrepresentation is made to the lender (3) become insolvent or make an assignment for the benefit of its creditors (4) if the lender at any time in good faith believes that the prospect of payment of any indebtedness is impaired. Upon the occurrence of any default event, the outstanding amounts, including accrued interest become immediately due and payable.

The annual requirements to amortize long-term obligations outstanding exclusive of employment benefit obligation payments as of June 30, 2020 are as follows:

	General Obligation Bonds		Notes from Direct Borrowings and Direct Placements		Total
	Principal	Interest	Principal	Interest	
June 30, 2021	\$2,746,530	\$576,400	\$0	\$0	\$3,322,930
June 30, 2022	1,616,530	496,180	0	0	2,112,710
June 30, 2023	1,601,530	431,510	0	0	2,033,040
June 30, 2024	1,596,530	376,790	0	0	1,973,320
June 30, 2025	1,586,594	322,270	0	0	1,908,864
June 30, 2026-2030	4,431,739	913,950	0	0	5,345,689
June 30, 2031-2032	3,015,807	110,000	0	0	3,125,807
Thereafter	0	0	5,019,017	0	5,019,017
<u>TOTAL</u>	\$16,595,260	\$3,227,100	\$5,019,017	\$0	\$24,841,377

Interest expense (all funds) for the year ended June 30, 2020 was \$676,620.

ALMONT COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS

7) OPERATING LEASES

Office Equipment and Chromebooks

On July 27, 2016, the District entered into a three year lease with Dell Financial Services, LLC. for the purpose of leasing 1,200 Chromebooks. The lease calls for annual payments of \$107,872 starting August 1, 2016 and expired in July, 2019.

On August 1, 2019, the District entered into a three year lease with Dell Financial Services, LLC. for the purpose of leasing 1,160 Chromebooks. The lease calls for annual payments of \$108,920 including interest starting October 1, 2019 and expiring in October, 2021.

Bus Lease

On July 1, 2018, the District entered into a two year lease with Tax-Exempt Leasing Corp. for the purpose of leasing sixteen 2019 Blue Bird Model 3310 buses, one 2019 Blue Bird SN bus and one 2019 Blue Bird Micro Bird bus. The lease calls for quarterly payments of \$59,872 starting July 1, 2018 and one final payment of \$59,872 in April 2020. The lease expired in April, 2020. Due to a fire in February 2019, the lease was adjusted to \$55,822 and an additional bus was added requiring quarterly payments of \$4,300 and expiring in February 2021.

Lease expenditures for 2018-2019 amounted to \$240,485.

Future maturities are as follows:

June 30, 2021	\$111,464
June 30, 2022	<u>104,984</u>
<u>TOTAL</u>	<u><u>\$216,448</u></u>

8) INTERFUND BALANCES

Interfund balances at June 30, 2020 consisted of the following:

	<u>Receivable</u>	<u>Payable</u>
General Fund	\$171,154	\$28,372
Capital Projects	0	57,749
Food Service	28,126	110,759
Debt Retirement	<u>200</u>	<u>2,600</u>
<u>TOTAL</u>	<u><u>\$199,480</u></u>	<u><u>\$199,480</u></u>

The District reports interfund balances between certain funds. The sum of all balances presented in the tables above agrees with the sum of interfund balances presented in the balance sheet for governmental funds. These interfund balances resulted primarily from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

ALMONT COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS

9) INTERFUND TRANSFERS

Interfund transfers for the year ended June 30, 2020, consisted of the following:

TRANSFERS TO	TRANSFERS FROM
	General Fund
	<hr/>
Food Service	<u>\$371</u>

Transfers are made to use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations. Transfers were made from the General Fund to the Food Service Fund for 31a costs.

10) TAX ABATEMENTS

The District receives reduced property tax revenues as a result of Industrial Facilities Tax exemptions granted by cities and townships. Industrial facility exemptions are intended to promote construction of new industrial facilities, or to rehabilitate historical facilities. The property taxes abated for all funds by municipality under these programs are as follows:

<u>Municipality</u>	<u>Taxes Abated</u>
Almont Township	\$5,058

The taxes abated for the general fund operating millage is considered by the State of Michigan when determining the District's section 22 funding of the State School Aid Act.

There are no significant abatements made by the District.

11) RESTRICTED NET POSITION

Restricted net position consists of the following:

Debt Retirement	\$484,067
Less: Accrued Interest - General Obligation Bonds	(99,708)
Food Service	144,795
Sinking Capital Projects	<u>30,353</u>
 <u>TOTAL</u>	 <u>\$559,507</u>

12) DEFINED BENEFIT PLAN AND POST RETIREMENT BENEFITS

Plan Description

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

ALMONT COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS

12) **DEFINED BENEFIT PLAN AND POST RETIREMENT BENEFITS (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 the option of receiving health, prescription drug, dental and vision coverage under the Michigan Public School Employees' Retirement Act (1980 PA 300 as amended).

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

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

Benefits Provided - Overall

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

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

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

Public Act 300 of 2012 granted all active members of the Michigan Public School Employees Retirement System, who earned service credit in the 12 months ending Sept. 3, 2012 or were on an approved professional services or military leave of absence on Sept. 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 Feb. 1, 2013.

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

ALMONT COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS

12) DEFINED BENEFIT PLAN AND POST RETIREMENT BENEFITS (Continued)

Contributions

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

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

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

<u>Benefit Structure</u>	<u>Member</u>	<u>Employer</u>
Basic	0.0 – 4.0%	18.25%
Member Investment Plan	3.0 – 7.0%	18.25%
Pension Plus	3.0 – 6.4%	16.46%
Pension Plus 2	6.2%	19.59%
Defined Contribution	0.0%	13.39%

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

<u>Benefit Structure</u>	<u>Member</u>	<u>Employer</u>
Premium Subsidy	3.0%	7.93%
Personal Healthcare Fund (PHF)	0.00%	7.57%

The District's pension contributions for the year ended June 30, 2020 were equal to the required contribution total. Pension contributions were approximately \$2,025,000, with \$2,001,000 specifically for the Pension Defined Benefit Plan.

The District's OPEB contributions for the year ended June 30, 2020 were equal to the required contribution total. OPEB benefits were approximately \$595,000, with \$572,000 specifically for the OPEB Defined Benefit Plan.

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

Pension Liabilities

At June 30, 2020, *the District* reported a liability of \$24,304,277 for its proportionate share of the MPSERS net pension liability. The net pension liability was measured as of September 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation rolled forward from September 2018. The District's proportion of the net pension liability was determined by dividing each employer's statutorily required pension contributions to the system during the measurement period by the percent of pension contributions required from all applicable employers during the measurement period. At September 30, 2019, the District's proportion was 0.0733899 percent, which was a *decrease* of 0.0016 percent from its proportion measured as of September 30, 2018.

ALMONT COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS

12) DEFINED BENEFIT PLAN AND POST RETIREMENT BENEFITS (Continued)

<u>MPSERS (Plan) Non-University Employers</u>	<u>September 30, 2019</u>	<u>September 30, 2018</u>
Total Pension Liability	\$83,442,507,212	\$79,863,694,444
Plan Fiduciary Net Position	<u>50,325,869,388</u>	<u>49,801,889,205</u>
Net Pension Liability	\$33,116,637,824	\$30,061,805,239
Proportionate Share	0.0733899%	0.075071%
Net Pension Liability for the District	24,304,277	22,567,776

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

For the year ended September 30, 2019, the District recognized pension expense of \$3,504,871.

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

	<u>Deferred Outflows of Resources</u>	<u>Deferred (Inflows) of Resources</u>
Differences Between Actual and Expected Experience	\$108,939	(\$101,347)
Changes of Assumptions	4,758,795	0
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	0	(778,911)
Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	102,932	(538,877)
Employer Contributions Subsequent to the Measurement Date	<u>1,890,659</u>	<u>0</u>
<u>TOTAL</u>	<u>\$6,861,325</u>	<u>(\$1,419,135)</u>

Contributions subsequent to the measurement date reported as deferred outflows of resources related to pensions resulting from employer contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year 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:

<u>Year Ending Sept. 30,</u>	<u>Amount</u>
2020	\$1,391,859
2021	1,170,630
2022	713,278
2023	275,764

ALMONT COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS

12) DEFINED BENEFIT PLAN AND POST RETIREMENT BENEFITS (Continued)

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

OPEB Liabilities

At June 30, 2020, the District reported a liability of \$5,170,881 for its proportionate share of the MPSERS net OPEB liability. The net OPEB liability was measured as of September 30, 2019, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation rolled forward from September 2018. The District's proportion of the net OPEB liability was determined by dividing each employer's statutorily required OPEB contributions to the system during the measurement period by the percent of OPEB contributions required from all applicable employers during the measurement period. At September 30, 2019, the District's proportion was 0.0720404 percent, which was a decrease of 0.0024 percent from its proportion measured as of October 1, 2018.

<u>MPSERS (Plan) Non-University Employers</u>	<u>September 30, 2019</u>	<u>September 30, 2018</u>
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	0.0720404%	0.074436%
Net Other Postemployment Benefits Liability for the District	5,170,881	5,916,933

For the year ending September 30, 2019, the District recognized OPEB expense of \$83,620.

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

	<u>Deferred Outflows of Resources</u>	<u>Deferred (Inflows) of Resources</u>
Differences Between Actual and Expected Experience	\$0	(\$1,897,343)
Changes of Assumptions	1,120,425	0
Net Difference Between Projected and Actual Earnings on OPEB Plan Investments	0	(89,924)
Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	0	(218,464)
Employer Contributions Subsequent to the Measurement Date	522,421	0
<u>TOTAL</u>	<u>\$1,642,846</u>	<u>(\$2,205,731)</u>

ALMONT COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS

12) DEFINED BENEFIT PLAN AND POST RETIREMENT BENEFITS (Continued)

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

<u>Year Ending Sept. 30,</u>	<u>Amount</u>
2020	(\$289,369)
2021	(289,369)
2022	(243,010)
2023	(170,377)
2024	(93,181)

Actuarial Assumptions

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

Additional information as of the latest actuarial valuation follows:

Summary of Actuarial Assumptions

Valuation Date:	September 30, 2018
Actuarial Cost Method:	Entry Age, Normal
Wage Inflation Rate:	2.75%
Investment Rate of Return:	
- MIP and Basic Plans:	6.80%
- Pension Plus Plan:	6.80%
- Pension Plus 2 Plan:	6.00%
- OPEB	6.95%
Projected Salary Increases:	2.75 - 11.55%, including wage inflation at 2.75%
Cost-of-Living Pension Adjustments:	3% Annual Non-Compounded for MIP Members
Healthcare Cost Trend Rate:	7.5% Year 1 graded to 3.5% Year 12
Mortality:	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.
- Retirees	

ALMONT COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS

12) DEFINED BENEFIT PLAN AND POST RETIREMENT BENEFITS (Continued)

Summary of Actuarial Assumptions (Continued)

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

Other Assumptions OPEB

- 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 coverages continuing after the retiree's death

- Coverage Election at Retirement 75% of male and 60% of female future retirees are assumed to elect coverage for 1 or more dependents.

Notes:

- * *Assumption changes as a result of an experience study for the period 2012 through 2017 have been adopted by the System for use in the annual pension valuations beginning with the September 30, 2017 valuation. The total pension liability as of September 30, 2018, is based on the results of an actuarial valuation date of September 30, 2017, and rolled forward using generally accepted actuarial procedures, including the experience study.*
- * *Recognition period for liabilities is the average of the expected remaining service lives of all employees in years: [4.4977 for non-university employers]*
- * *Assumption changes as a result of an experience study for the period 2012 through 2017 have been adopted by the System for use in the annual OPEB valuations beginning with the September 30, 2017 valuation. The total OPEB liability as of September 30, 2019, is based on the results of an actuarial valuation date of September 30, 2018, and rolled forward using generally accepted actuarial procedures, including the experience study.*
- * *Recognition period for liabilities is the average of the expected remaining service lives of all employees in years: [5.7101 for non-university employers].*
- * *Recognition period for assets in years: 5.0000*
- * *Full actuarial assumptions are available in the 2019 MPSEERS Comprehensive Annual Financial Report found on the ORS website at www.michigan.gov/orsschools.*

ALMONT COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS

12) DEFINED BENEFIT PLAN AND POST RETIREMENT BENEFITS (Continued)

Long-Term Expected Return on Plan Assets

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

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

Discount Rate – Pension

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

Discount Rate – OPEB

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

ALMONT COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS

12) DEFINED BENEFIT PLAN AND POST RETIREMENT BENEFITS (Continued)

Sensitivity of the District's proportionate share of the net pension liability to changes in the discount rate

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

	Pension		
	Current Single Discount Rate Assumption		
	1% Decrease 5.8%/5.8%/5.0%	6.8%/6.8%/6.0%	1% Increase 7.8%/7.8%/7.0%
District's proportionate share of the net pension liability	\$31,597,115	\$24,304,277	\$18,258,263

* Discount rates listed in the following order: Basis and Member Investment Plan (MIP), Pension Plus, and Pension Plus 2. Non-university employers provide Basic, MIP, Pension Plus and Pension Plus 2 plans.

Sensitivity of the District's proportionate share of the net OPEB liability to changes in the discount rate

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

	Other Postemployment Benefit		
	1% Decrease 5.95%	Discount Rate 6.95%	1% Increase 7.95%
	District's proportionate share of the net other postemployment benefit liability	\$6,342,863	\$5,170,881

Sensitivity of the District's proportionate share of the net OPEB liability to Healthcare Cost Trend Rate

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

	Other Postemployment Benefit		
	Current Healthcare Cost Trend Rate		
	1% Decrease	Cost Trend Rate	1% Increase
District proportionate share of the net other postemployment benefit liability	\$4,145,019	\$5,170,881	\$6,342,724

Pension and OPEB Plan Fiduciary Net Position

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

Payable to the Pension and OPEB Plan

At year-end the School 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).

ALMONT COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS

13) RISK MANAGEMENT

The District is exposed to various risks of loss in conducting its operations, from property and casualty theft, damage to various tort and liability claims and worker's compensation claims. The District limits its exposure to such claims through its participation in and payments of premiums to SET-SEG, Inc. Insurance Trust. This pool maintains a loss fund and is also required by the terms of the participation agreement to obtain insurance and reinsurance as necessary.

The terms of the participation agreement with the pool indicate that, should losses of the pool incurred in a given coverage period exceed the loss fund and the aggregate excess reinsurance, the fund may access its member districts on a pro-rata basis to cover excess losses. In past years the loss fund has exceeded the amount necessary to maintain prudent loss reserves, resulting in annual premium refunds to member districts. The District's management believes that participation in this pool provides sufficient coverage to protect the District from any significant adverse financial impact.

14) SUBSEQUENT EVENTS

In August, 2020, the District borrowed \$2,000,000 (set aside) at 0.70% on a State Aid Anticipation Note. The note proceeds will be used to meet cash flow needs for the 2020-2021 fiscal year.

On August 19, 2020, the District issued \$5,195,000 in 2021 Refunding Bonds Series A and \$4,565,000 in 2021 Refunding Bonds Series B.

15) COVID

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

ALMONT COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS

16) UPCOMING ACCOUNTING PRONOUNCEMENTS

- A) Governmental Accounting Standards Board (GASB) Statement No. 84, *Fiduciary Activities*, was issued by the GASB in January 2017 and will be effective for the District's 2020 year end. The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This Statement establishes criteria for identifying fiduciary activities for all state and local governments. The focus on the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. An activity meeting the criteria should be reported in a fiduciary fund in the basic financial statements. Districts with activities meeting the criteria should present a statement of fiduciary net position and a statement of changes in fiduciary net position.
- B) Governmental Accounting Standards Board (GASB) Statement No. 87, *Leases*, was issued by the GASB in June 2017 and will be effective for the District's 2022 year end. The objective of this Statement is to increase the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use the underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities.

REQUIRED SUPPLEMENTARY
INFORMATION

ALMONT COMMUNITY SCHOOLS
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
YEAR ENDED JUNE 30, 2020

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance With Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<u>REVENUES</u>				
Local Sources	\$1,426,432	\$1,517,837	\$1,462,743	(\$55,094)
State Sources	12,041,183	12,518,647	12,242,018	(276,629)
Federal Sources	279,868	390,149	298,635	(91,514)
Total Revenues	<u>\$13,747,483</u>	<u>\$14,426,633</u>	<u>\$14,003,396</u>	<u>(\$423,237)</u>
<u>EXPENDITURES</u>				
Instruction	8,536,994	8,865,927	8,530,789	335,138
Student Services	330,798	455,778	444,070	11,708
Instructional Support	224,926	213,759	188,511	25,248
General Administration	349,883	361,184	350,106	11,078
School Administration	974,317	988,969	970,831	18,138
Business Administration	386,577	416,041	366,098	49,943
Operation & Maintenance of Plant	1,076,778	1,074,008	1,017,621	56,387
Transportation	1,132,378	880,991	882,251	(1,260)
Other Support Services	312,537	293,854	289,481	4,373
Athletics	300,123	246,647	241,718	4,929
Community Services	74,711	55,611	55,251	360
Total Expenditures	<u>\$13,700,022</u>	<u>\$13,852,769</u>	<u>\$13,336,727</u>	<u>\$516,042</u>
Excess of Revenues Over Expenditures	\$47,461	\$573,864	\$666,669	\$92,805
<u>OTHER FINANCING SOURCES (USES)</u>				
Net Change in Fund Balance	<u>(297,000)</u>	<u>(268,000)</u>	<u>(219,542)</u>	<u>48,458</u>
	(\$249,539)	\$305,864	\$447,127	\$141,263
<u>FUND BALANCE - BEGINNING</u>			<u>1,397,503</u>	
<u>FUND BALANCE - ENDING</u>			<u>\$1,844,630</u>	

ALMONT COMMUNITY SCHOOLS
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE REPORTING UNIT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
MICHIGAN PUBLIC SCHOOL EMPLOYEES RETIREMENT PLAN
LAST 10 FISCAL YEARS (AMOUNTS WERE DETERMINED AS OF 9/30 OF EACH FISCAL YEAR)

	2019	2018	2017	2016	2015	2014
Reporting unit's proportion of net pension liability (%)	0.07339%	0.07507%	0.07479%	0.07398%	0.07770%	0.07726%
Reporting unit's proportionate share of net pension liability	\$24,304,277	\$22,567,776	\$19,380,942	\$18,458,106	\$18,978,556	\$17,018,427
Reporting unit's covered-employee payroll	\$6,278,511	\$6,324,430	\$6,337,238	\$6,092,008	\$6,466,506	\$6,569,679
Reporting unit's proportionate share of net pension liability as a percentage of its covered-employee payroll	387.10%	356.83%	305.83%	302.99%	293.49%	259.05%
Plan fiduciary net position as a percentage of total pension liability	60.31%	62.36%	64.21%	63.27%	63.17%	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, reporting units should present information for those years for which information is available.

ALMONT COMMUNITY SCHOOLS
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE REPORTING UNIT'S CONTRIBUTIONS - PENSION
MICHIGAN PUBLIC SCHOOL EMPLOYEES RETIREMENT PLAN
LAST 10 FISCAL YEARS (AMOUNTS WERE DETERMINED AS OF 6/30 OF EACH FISCAL YEAR)

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Statutorily required contributions	\$1,949,632	\$2,044,206	\$1,754,193	\$1,716,618	\$1,498,958	\$1,892,433
Contributions in relation to statutorily required contributions	<u>1,949,632</u>	<u>2,044,206</u>	<u>1,754,193</u>	<u>1,716,618</u>	<u>1,498,958</u>	<u>1,892,433</u>
Contribution deficiency (excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
Reporting unit's covered-employee payroll	\$6,042,804	\$6,310,863	\$6,277,942	\$6,283,608	\$6,517,411	\$6,007,877
Contributions as a percentage of covered-employee payroll	32.26%	32.39%	27.94%	27.32%	23.00%	31.50%

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

ALMONT COMMUNITY SCHOOLS
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE REPORTING UNIT'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY
MICHIGAN PUBLIC SCHOOL EMPLOYEES RETIREMENT PLAN
LAST 10 FISCAL YEARS (AMOUNTS WERE DETERMINED AS OF 9/30 OF EACH FISCAL YEAR)

	2019	2018	2017
Reporting unit's proportion of net OPEB liability (%)	0.07204%	0.07444%	0.07446%
Reporting unit's proportionate share of net OPEB liability	\$5,170,881	\$5,916,933	\$6,593,440
Reporting unit's covered-employee payroll	\$6,278,511	\$6,324,430	\$6,337,238
Reporting unit's proportionate share of net OPEB liability as a percentage of its covered-employee payroll	82.36%	93.56%	104.04%
Plan fiduciary net position as a percentage of total OPEB liability (Non-university employers)	48.46%	42.95%	36.39%

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

ALMONT COMMUNITY SCHOOLS
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE REPORTING UNIT'S CONTRIBUTIONS - OPEB
MICHIGAN PUBLIC SCHOOL EMPLOYEES RETIREMENT PLAN
LAST 10 FISCAL YEARS (AMOUNTS WERE DETERMINED AS OF 6/30 OF EACH FISCAL YEAR)

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Statutorily required contributions	\$494,635	\$483,166	\$579,672
Contributions in relation to statutorily required contributions	<u>494,635</u>	<u>483,166</u>	<u>579,672</u>
Contribution deficiency (excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
Reporting unit's covered-employee payroll	\$6,042,804	\$6,310,863	\$6,277,942
Contributions as a percentage of covered-employee payroll	8.19%	7.66%	9.23%

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

ALMONT COMMUNITY SCHOOLS
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

BUDGETARY INFORMATION

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the General Fund and Special Revenue Fund (Food Service). 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 School District to have its budget in place by July 1. Expenditures in excess of amounts budgeted are a violation of Michigan law. State law permits districts to amend their budgets during the year. During the year, the budget was amended in a legally permissible manner. The School District increased/decreased budgeted amounts during the year in response to changes in funding and related expenditures.

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.

During the year, Almont Community Schools did not have significant expenditure budget variances.

PENSION

Benefit changes - there were no changes of benefit terms in 2019.

Changes of assumptions - the assumption changes for 2019 were:

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%.

OPEB

Benefit changes - there were no changes of benefit terms in 2019.

Changes of assumptions - the assumption changes for 2019 were:

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.

ADDITIONAL SUPPLEMENTARY
INFORMATION

ALMONT COMMUNITY SCHOOLS
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
JUNE 30, 2020

	Food Service	Debt Retirement Funds	Sinking Capital Projects	Total Other Governmental Funds
<u>ASSETS</u>				
Cash and Cash Equivalents	\$209,397	\$486,467	\$88,102	\$783,966
Receivables:				
Accounts Receivable	4,483	0	0	4,483
Due from Other Funds	28,126	200	0	28,326
Due from Other Governmental Units	30,883	0	0	30,883
Inventory	14,298	0	0	14,298
<u>TOTAL ASSETS</u>	<u>\$287,187</u>	<u>\$486,667</u>	<u>\$88,102</u>	<u>\$861,956</u>
<u>LIABILITIES</u>				
Accounts Payable	\$16,184	\$0	\$0	\$16,184
Due to Other Funds	110,759	2,600	57,749	171,108
Unearned Revenue	15,449	0	0	15,449
Total Liabilities	<u>\$142,392</u>	<u>\$2,600</u>	<u>\$57,749</u>	<u>\$202,741</u>
<u>FUND BALANCES</u>				
Non-Spendable				
Inventory	14,298	0	0	14,298
Restricted				
Food Service	130,497	0	0	130,497
Debt Service	0	484,067	0	484,067
Capital Projects	0	0	30,353	30,353
Total Fund Balances	<u>\$144,795</u>	<u>\$484,067</u>	<u>\$30,353</u>	<u>\$659,215</u>
<u>TOTAL LIABILITIES AND FUND BALANCES</u>	<u>\$287,187</u>	<u>\$486,667</u>	<u>\$88,102</u>	<u>\$861,956</u>

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

	Food Service	Debt Retirement Funds	Sinking Capital Projects	Total Other Governmental Funds
<u>REVENUES</u>				
Local Sources	\$151,418	\$3,057,113	\$350,599	\$3,559,130
State Sources	14,804	0	0	14,804
Federal Sources	301,194	0	0	301,194
Total Revenues	<u>\$467,416</u>	<u>\$3,057,113</u>	<u>\$350,599</u>	<u>\$3,875,128</u>
<u>OTHER FINANCING SOURCES</u>				
Transfers from Other Funds	371	0	0	371
Bond Proceeds	0	105,601	0	105,601
Total Other Financing Sources	<u>\$371</u>	<u>\$105,601</u>	<u>\$0</u>	<u>\$105,972</u>
Total Revenues & Other Financing Sources	<u>\$467,787</u>	<u>\$3,162,714</u>	<u>\$350,599</u>	<u>\$3,981,100</u>
<u>EXPENDITURES</u>				
Special Revenue - Food Service				
Purchased Services	191,397	0	0	191,397
Supplies and Materials	196,480	0	0	196,480
Capital Outlay	10,705	0	0	10,705
Other	3,423	0	0	3,423
Debt Service	0	3,080,980	0	3,080,980
Capital Outlay	0	0	742,764	742,764
Total Expenditures	<u>\$402,005</u>	<u>\$3,080,980</u>	<u>\$742,764</u>	<u>\$4,225,749</u>
Net Change in Fund Balance	<u>\$65,782</u>	<u>\$81,734</u>	<u>(\$392,165)</u>	<u>(\$244,649)</u>
<u>FUND BALANCE - BEGINNING OF YEAR</u>	<u>79,013</u>	<u>402,333</u>	<u>422,518</u>	<u>903,864</u>
<u>FUND BALANCE - END OF YEAR</u>	<u>\$144,795</u>	<u>\$484,067</u>	<u>\$30,353</u>	<u>\$659,215</u>

ALMONT COMMUNITY SCHOOLS
COMBINING BALANCE SHEET
DEBT RETIREMENT FUND
JUNE 30, 2020

	<u>2012</u> <u>Debt</u> <u>Refunding</u>	<u>2013</u> <u>SBL Fund</u> <u>Refinance</u>	<u>2013</u> <u>Debt</u> <u>Refunding</u>	<u>2016</u> <u>Debt</u> <u>Refunding</u>	<u>Total</u>
<u>ASSETS</u>					
Cash and Cash Equivalents	\$112,296	\$121,767	\$96,268	\$156,136	\$486,467
Due from Other Funds	<u>0</u>	<u>0</u>	<u>200</u>	<u>0</u>	<u>200</u>
<u>TOTAL ASSETS</u>	<u>\$112,296</u>	<u>\$121,767</u>	<u>\$96,468</u>	<u>\$156,136</u>	<u>\$486,667</u>
<u>LIABILITIES</u>					
Due to Other Funds	\$300	\$0	\$1,300	\$1,000	\$2,600
<u>FUND EQUITY</u>					
Restricted					
Debt Service	<u>111,996</u>	<u>121,767</u>	<u>95,168</u>	<u>155,136</u>	<u>484,067</u>
<u>TOTAL LIABILITIES AND FUND BALANCES</u>	<u>\$112,296</u>	<u>\$121,767</u>	<u>\$96,468</u>	<u>\$156,136</u>	<u>\$486,667</u>

ALMONT COMMUNITY SCHOOLS
DEBT RETIREMENT FUND
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE
YEAR ENDED JUNE 30, 2020

	2012 Debt <u>Refunding</u>	2013 SBL Fund <u>Refinance</u>	2013 Debt <u>Refunding</u>	2016 Debt <u>Refunding</u>	<u>Total</u>
<u>REVENUE</u>					
<u>Local Sources</u>					
Property Tax Levy	\$158,585	\$1,315,537	\$598,299	\$973,137	\$3,045,558
Earnings on Investments	1,550	5,258	1,982	2,765	11,555
Total Local Sources	<u>\$160,135</u>	<u>\$1,320,795</u>	<u>\$600,281</u>	<u>\$975,902</u>	<u>\$3,057,113</u>
<u>OTHER FINANCING SOURCES</u>					
Bond Proceeds	0	0	0	105,601	105,601
Total Revenue and Other Financing Sources	<u>\$160,135</u>	<u>\$1,320,795</u>	<u>\$600,281</u>	<u>\$1,081,503</u>	<u>\$3,162,714</u>
<u>EXPENDITURES</u>					
Redemption of Bonds	0	1,300,000	450,000	680,000	2,430,000
Interest	178,318	65,040	123,172	283,150	649,680
Dues and Fees	300	0	500	500	1,300
Total Expenditures	<u>\$178,618</u>	<u>\$1,365,040</u>	<u>\$573,672</u>	<u>\$963,650</u>	<u>\$3,080,980</u>
<u>EXCESS REVENUES AND OTHER FINANCING</u>					
<u>SOURCES OVER (UNDER) EXPENDITURES</u>					
	(\$18,483)	(\$44,245)	\$26,609	\$117,853	\$81,734
<u>FUND BALANCE - BEGINNING OF YEAR</u>					
	<u>130,479</u>	<u>166,012</u>	<u>68,559</u>	<u>37,283</u>	<u>402,333</u>
<u>FUND BALANCE - END OF YEAR</u>					
	<u>\$111,996</u>	<u>\$121,767</u>	<u>\$95,168</u>	<u>\$155,136</u>	<u>\$484,067</u>

INDIVIDUAL FUND SCHEDULES OF
REVENUES, EXPENDITURES AND
OTHER FINANCING USES

ALMONT COMMUNITY SCHOOLS
GENERAL FUND
SCHEDULE OF REVENUES AND OTHER FINANCING SOURCES
YEAR ENDED JUNE 30, 2020

<u>REVENUES FROM</u>	
<u>Local Sources</u>	
Property Tax Levy	\$1,059,539
Earnings on Investments and Deposits	17,321
Tuition	27,007
Athletics	74,837
Transportation	1,349
Latchkey and Community Enrichment	73,226
Other Local Revenues	209,464
Total Revenues from Local Sources	\$1,462,743
 <u>State Sources</u>	
State Aid - Foundation - Sec. 20	10,289,776
At Risk - Sec. 31A	275,773
Other State Grants	1,276,932
Special Education	399,537
Total Revenues from State Sources	\$12,242,018
 <u>Federal Sources</u>	
Title I	93,978
Title II	40,137
Special Education	123,364
Other Federal Grants	37,177
Grants from ISD	3,979
Total Revenues from Federal Sources	\$298,635
 <u>Interdistrict Services</u>	 60,660
 <u>TOTAL REVENUES</u>	 \$14,064,056

ALMONT COMMUNITY SCHOOLS
GENERAL FUND
SCHEDULE OF EXPENDITURE AND OTHER FINANCING USES
YEAR ENDED JUNE 30, 2020

INSTRUCTIONBASIC PROGRAMSElementary

Salaries - Professional	\$1,437,733
Salaries - Non-Professional	43,550
Insurances	351,055
Fica, Retirement, Etc.	586,613
Other Benefits	19,975
Purchased Services	41,218
Supplies and Materials	51,854
Capital Outlay	52,505
Other	786
Total Elementary	<u>\$2,585,289</u>

Middle School

Salaries - Professional	1,113,276
Salaries - Non-Professional	43,758
Insurances	288,590
Fica, Retirement, Etc.	581,808
Other Benefits	15,512
Purchased Services	104,568
Supplies and Materials	31,456
Capital Outlay	1,495
Other	8,802
Total Middle School	<u>\$2,189,265</u>

High School

Salaries - Professional	1,083,452
Salaries - Non-Professional	32,832
Insurances	275,174
Fica, Retirement, Etc.	567,883
Other Benefits	16,065
Purchased Services	228,652
Supplies and Materials	36,654
Capital Outlay	1,000
Other	16,311
Total High School	<u>\$2,258,023</u>

Preschool

Salaries - Professional	56,960
Salaries - Non-Professional	28,858
Fica, Retirement, Etc.	39,696
Purchased Services	3,207
Supplies and Materials	3,712
Other	451
Total Preschool	<u>\$132,884</u>

ALMONT COMMUNITY SCHOOLS
GENERAL FUND
SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES
YEAR ENDED JUNE 30, 2020

INSTRUCTION (Continued)

BASIC PROGRAMS

Summer School

Salaries - Non-Professional	\$1,118
Fica, Retirement, Etc.	519
Total Summer School	\$1,637

Total Basic Programs \$7,167,098

ADDED NEEDS

Special Education

Salaries - Professional	476,315
Salaries - Non-Professional	203,882
Insurances	118,889
Fica, Retirement, Etc.	363,033
Other Benefits	32,381
Purchased Services	14,229
Supplies and Materials	3,228
Other	8
Total Special Education	\$1,211,965

Compensatory Education

Salaries - Non-Professional	100,196
Fica, Retirement, Etc.	51,530
Total Compensatory Education	\$151,726

Total Added Needs \$1,363,691

TOTAL INSTRUCTION

\$8,530,789

SUPPORT SERVICES

Student Services

Salaries - Professional	172,026
Salaries - Non-Professional	76,037
Insurances	15,980
Fica, Retirement, Etc.	127,271
Other Benefits	3,613
Purchased Services	44,182
Supplies and Materials	3,773
Other	1,188
Total Student Services	\$444,070

ALMONT COMMUNITY SCHOOLS
GENERAL FUND
SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES
YEAR ENDED JUNE 30, 2020

SUPPORT SERVICES (Continued)

Instructional Support

Salaries - Professional	\$3,925
Salaries - Non-Professional	74,995
Insurances	15,899
Fica, Retirement, Etc.	39,990
Purchased Services	44,536
Supplies and Materials	9,164
Other	2
Total Instructional Support	\$188,511

General Administration

Salaries - Professional	123,600
Salaries - Non-Professional	54,043
Insurances	11,845
Fica, Retirement, Etc.	92,771
Other Benefits	8,150
Purchased Services	51,363
Supplies and Materials	1,454
Other	6,880
Total General Administration	\$350,106

School Administration

Salaries - Professional	374,553
Salaries - Non-Professional	177,422
Insurances	103,405
Fica, Retirement, Etc.	274,038
Other Benefits	5,100
Purchased Services	32,118
Supplies and Materials	2,623
Other	1,572
Total School Administration	\$970,831

Business Office

Salaries - Professional	113,308
Salaries - Non-Professional	23,895
Insurances	51,672
Fica, Retirement, Etc.	64,312
Purchased Services	13,422
Supplies and Materials	1,671
Other	97,818
Total Business Office	\$366,098

ALMONT COMMUNITY SCHOOLS
GENERAL FUND
SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES
YEAR ENDED JUNE 30, 2020

SUPPORT SERVICES (Continued)

Operation and Maintenance

Salaries - Professional	\$45,554
Salaries - Non-Professional	1,000
Insurances	2,016
Fica, Retirement, Etc.	24,283
Other Benefits	5,100
Purchased Services	651,257
Supplies and Materials	288,311
Other	100
Total Operation and Maintenance of Plant	\$1,017,621

Transportation

Salaries - Non-Professional	2,726
Fica, Retirement, Etc.	69
Purchased Services	879,206
Supplies and Materials	250
Total Transportation	\$882,251

Other Support Services

Salaries - Professional	67,498
Salaries - Non-Professional	24,930
Insurances	16,458
Fica, Retirement, Etc.	45,621
Purchased Services	82,394
Supplies and Materials	24,551
Capital Outlay	3,698
Other	24,331
Total Other Support Services	\$289,481

Athletics

Salaries - Professional	22,500
Salaries - Non-Professional	42,980
Insurances	12,098
Fica, Retirement, Etc.	37,379
Purchased Services	96,095
Supplies and Materials	23,342
Other	7,324
Total Athletics	\$241,718

TOTAL SUPPORT SERVICES

\$4,750,687

ALMONT COMMUNITY SCHOOLS
GENERAL FUND
SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES
YEAR ENDED JUNE 30, 2020

COMMUNITY SERVICES

Salaries - Non-Professional	\$33,538
Fica, Retirement, Etc.	17,545
Purchased Services	480
Supplies and Materials	1,686
Other	2,002
Total Community Services	<u>\$55,251</u>

TOTAL EXPENDITURES

\$13,336,727

OUTGOING TRANSFERS AND OTHER USES

Principal and Interest Payments	126,940
Transfers to Other Governmental Units	152,891
Transfers to Other Funds	371
Total Outgoing Transfers and Other Uses	<u>\$280,202</u>

TOTAL EXPENDITURES AND OTHER FINANCING USES

\$13,616,929

ALMONT COMMUNITY SCHOOLS
SCHEDULE OF BOND PRINCIPAL AND INTEREST REQUIREMENTS
JUNE 30, 2020

GENERAL OBLIGATION - 2012 REFUNDING BONDS

Date Authorized : April 27, 2012

Amount Authorized: \$8,535,000

<u>PAYMENT DATE - MAY 1ST</u>	<u>INTEREST RATE</u>	<u>PRINCIPAL AMOUNT</u>	<u>INTEREST AMOUNT NOVEMBER 1</u>	<u>INTEREST AMOUNT MAY 1</u>	<u>TOTAL</u>
2020-2021	4.000%	\$0	\$89,375	\$89,375	\$178,750
2021-2022	4.000%	0	89,375	89,375	178,750
2022-2023	4.000%	0	89,375	89,375	178,750
2023-2024	4.000%	0	89,375	89,375	178,750
2024-2025	4.000%	0	89,375	89,375	178,750
2025-2026	4.000%	0	89,375	89,375	178,750
2026-2027	4.000%	0	89,375	89,375	178,750
2027-2028	3.500%	1,000,000	89,375	89,375	1,178,750
2028-2029	3.500%	1,000,000	71,875	71,875	1,143,750
2029-2030	3.500%	1,000,000	54,375	54,375	1,108,750
2030-2031	3.750%	1,000,000	36,875	36,875	1,073,750
2031-2032	3.625%	1,000,000	18,125	18,125	1,036,250
<u>TOTAL</u>		<u>\$5,000,000</u>	<u>\$896,250</u>	<u>\$896,250</u>	<u>\$6,792,500</u>

2012 ENERGY CONSERVATION IMPROVEMENT BONDS

Date Authorized : July 10, 2012

Amount Authorized: \$1,200,000

<u>PAYMENT DATE - MAY 1ST</u>	<u>INTEREST RATE</u>	<u>PRINCIPAL AMOUNT</u>	<u>INTEREST AMOUNT NOVEMBER 1</u>	<u>INTEREST AMOUNT MAY 1</u>	<u>FEDERAL INTEREST SUBSIDY</u>	<u>TOTAL</u>
2020-2021	4.490%	\$100,000	\$11,225	\$11,225	(\$21,850)	\$100,600
2021-2022	4.490%	100,000	8,980	8,980	(17,480)	100,480
2022-2023	4.490%	100,000	6,735	6,735	(13,110)	100,360
2023-2024	4.490%	100,000	4,490	4,490	(8,740)	100,240
2024-2025	4.490%	100,000	2,245	2,245	(4,370)	100,120
<u>TOTAL</u>		<u>\$500,000</u>	<u>\$33,675</u>	<u>\$33,675</u>	<u>(\$65,550)</u>	<u>\$501,800</u>



November 18, 2020

**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
Almont Community Schools

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Almont Community Schools, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise Almont Community Schools' basic financial statements, and have issued our report thereon dated November 18, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Almont Community Schools' internal control over financial reporting (internal control) as a basis for designing 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 Almont Community Schools' internal control. Accordingly, we do not express an opinion on the effectiveness of Almont Community 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 Almont Community 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 financial statements. 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as items 2020-001.

Almont Community Schools Response to Findings

Almont Community Schools's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Almont Community Schools' response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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.

Lewis & Knopf, P.C.

LEWIS & KNOPF, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

ALMONT COMMUNITY SCHOOLS
SUMMARY OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2020

Finding 2020-001

Finding Type – Material Weakness in Internal Control over Financial Reporting

Condition – Auditor identified material misstatements.

Criteria - During the course of the audit, we identified several misstatements, some of which were material to the district's financial statements, and provided audit entries to correct these misstatements. Material misstatements were related to the recording of accounts receivable, state aid receivables, property taxes and accrued expenses.

Cause – The management did not reconcile the balance sheet accounts and errors were not detected on a timely basis. Management did not prepare the bank reconciliations accurately.

Effect – Budget variances and violations could occur due to inaccurate records. Material misstatements of the district's financial statements could go undetected.

Recommendation – District personnel should review the audit entries, understand why they were necessary, and implement the necessary controls to ensure that the accounts and transactions effected are reviewed closely during the year and especially at year end close. All the balance sheet accounts should be reconciled monthly to ensure proper recording of transactions. All the bank reconciliation's should be completed monthly.



**Almont Community Schools
Office of the Superintendent
4701 Howland Rd.
Almont, MI 48003
PH: 810-798-8561 Fax: 810-798-2367**

Dr. William Kalmar
Superintendent

November 9, 2020

Finding: Material Weakness in Internal Control over Financial Reporting

Response: After this weakness was found prior year and audited entries were reviewed and evaluated to see what mistakes were made and how to ensure they do not happen again in the future. Due to and Due from accounts (interfund) were evaluated closely to find a way to insure they will not be a problem again.

Corrective Action Plan:

- 1.) Balance sheet accounts will be reviewed at the end of every month with bank reconciliations getting any errors corrected at that time.
- 2.) Interfund accounts will no longer be used and money will be transferred between funds at the end of every check run. This will ensure there are no outstanding balances sitting in an account for long periods of time.
- 3.) Journal entries will be reviewed before posting to ensure they are correct and error free. This will limit the amount of journals that are made and make the accounts cleaner and easier to understand.

These new procedures have started as of July, 2020. The impact of these changes will be shown at the end of the current year June 30, 2021. Beth Granger in charge of the implementation and overseeing of these processes. Her contact is bgranger@almontschools.org or by phone (810) 673-9103.

Sincerely,

William Kalmar

Vision
Every student will own their future through academic and personal success



November 18, 2020

To the Board of Education of
Almont Community Schools

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Almont Community Schools for the year ended June 30, 2020. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated June 22, 2020. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Almont Community Schools are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2019-2020. We noted no transactions entered into by the District during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

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

Estimates have been used to calculate the net pension and net OPEB liabilities.

Estimates have been used in calculating the liability for employee compensated absences.

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

Management's determination of the estimated life span of the capital assets.

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

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

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

Corrected and Uncorrected Misstatements

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

Disagreements with Management

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

Management Representations

We have requested certain representations from management that are included in the management representation letter dated November 18, 2020.

Management Consultations with Other Independent Accountants

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

Other Audit Findings or Issues

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

The District did not identify certain adjustments that were necessary for the financial statements to be presented in accordance with GAAP and which were material to the financial statements. There is also a lack of review and reconciliation of general ledger accounts.

Other Matters

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

Almont Community Schools
Page 3
November 18, 2020

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

Restriction on Use

This information is intended solely for the use of the Board of Education and management of Almont Community Schools and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

Lewis & Knopf, P.C.

LEWIS & KNOPF, P.C.
CERTIFIED PUBLIC ACCOUNTANTS