NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation (Continued)

Fund-based Financial Statements

Separate financial statements are provided on the basis of funds, each of which is considered a separate fiscal and accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, deferred outflows, liabilities, deferred inflows, fund equity, revenues and expenditures. Resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. Governmental as well as fiduciary funds are provided. The various fund types are grouped in the financial statements as major funds or nonmajor funds. The School District reports the General Fund, Debt Service Fund and Capital Projects Fund as major governmental funds.

General Fund – is the general operating fund of the School District. This fund is used to account for all financial resources except those required to be accounted for in another fund.

Debt Service Fund – 2015 School Bus Bonds – is used to account for the collection of property taxes and payment of principal and interest on the school bus bonds payable.

Capital Projects Fund – is used to account for the collection of property taxes and expenditures from a sinking fund approved by vote of the School District residents in November 2014 and to account for borrowing proceeds to be spent on the 2015 School Bus Bond issue.

Special Revenue Fund – is used by the School District to account for food service activities and is considered to be a nonmajor fund.

Fiduciary Funds

Private-Purpose Trust Fund – is used to account for assets held by the School District in a trustee capacity as administrator of scholarship and endowment funds under direct control of the School District.

Agency Fund – is used to account for assets held by the School District in its capacity as a receiving and paying agent for the several student body activity groups.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Accounting

District-wide Financial Statements

The District-wide financial statements report all financial and capital assets, deferred outflows, short and long-term liabilities, deferred inflows, revenues, expenses, gains and losses using the economic resources measurement focus and the accrual basis of accounting. All revenue is recorded when earned and expenses are recorded when a liability is incurred.

The Statement of Activities reports net cost information based on the School District's functions. Direct expenses are listed by function with program revenues for each function offset against those expenses. Program revenues include charges for services that are fees and other charges to the users or recipients of the services the School District provides. Program revenues also include operating grants and contributions that are restricted for a particular purpose. Property taxes, nonrestricted state aid and other revenues that are not program revenues are reported as general revenues.

Fund-based Financial Statements

The governmental funds and fiduciary funds are accounted for by using the modified accrual basis of accounting as required by the Michigan Department of Education. Under the modified accrual basis of accounting, revenue is recognized when the revenue is subject to accrual, eligibility requirements are met and the revenues are available to finance expenditures of the fiscal period. Revenue is considered available when the revenue has been collected in the current period or soon enough after the end of the period to be used to pay current period liabilities. The School District considers revenues to be available if collected within 60 days of the end of the period. Expenditures are recorded when the related liability is incurred. Exceptions to this general rule include compensated absences and principal and interest on long-term debt, both of which are recognized when due. Property taxes are recognized in the fiscal year for which the taxes have been levied. Restricted revenues are considered to be applied first.

Property Taxes

Property taxes attach as an enforceable lien on property as of December 31. School taxes are levied on the ensuing July 1, with summer collections due by August 15 and winter collections due by February 15 annually from the respective governmental units. Current property taxes are collected for the School District by the City of Wakefield and Townships of Marenisco, Wakefield and Bessemer. Delinquent real property taxes of the School District are purchased annually by the County of Gogebic.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

State Foundation Revenue

The State of Michigan follows a foundation grant approach, which provides for a specific annual amount of revenue per student based on a statewide formula. The Foundation is funded from state and local sources. Revenues from state sources are primarily governed by the School Aid Act and the School Code of Michigan. The Michigan Department of Education administers the allocation of state funds to school districts based on information regarding average pupil membership supplied by the districts. The funds received in July and August 2020 are State appropriations for the year ended June 30, 2020, and, as such, are recorded as accounts receivable.

State Categorical Revenue

The School District also receives revenue from the State to administer certain categorical education programs. State rules require that revenue earmarked for these programs be expended for its specific purpose. Categorical funds received, which are not expended by the close of the fiscal year are recorded as deferred inflows of resources. The School District does not report any deferred inflows of resources at June 30, 2020 related to grant revenue.

Federal Revenue

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

Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, amounts in demand deposit accounts at local financial institutions and short-term investments with a maturity of three months or less when acquired.

Investments

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

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Short-Term Interfund Receivables/Payables

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "due from other funds" or "due other funds" on the balance sheet of the fund-based financial statements.

Inventories and Prepaid Items

Inventories are stated at cost and consist principally of supplies and food. Inventories are recorded as expenditures when consumed rather than when purchased. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

Capital Assets and Depreciation

Capital assets include land and improvements, buildings, furniture and fixtures, equipment, school buses and vehicles and are reported in the School District-wide financial statements. Capital assets are defined by the School District as assets with an acquisition cost of generally more than $1,000 with an estimated useful life in excess of one year. Assets meeting this criteria are recorded at historical cost or estimated historical costs if the amount is not known. Any donated capital assets are recorded at estimated fair market value at the date of donation. The costs of capital assets are charged to expense using an annual allocation of depreciation expense. Taking the depreciable cost of an asset and dividing that cost by its estimated useful life calculates the annual expense. The expense is recorded in the District-wide Statement of Activities and included as a direct expense of an identifiable function if the assets sole purpose can be identified as being for that function. Depreciation expense (unallocated) is the amount of depreciation expense that cannot be charged to any particular function. The School District does not have infrastructure-type assets.

The capital assets are depreciated using the straight-line method with a half-year of depreciation taken in the year of acquisition over the following useful lives (land excluded as not depreciable):

Land improvements	20 years
Buildings	20-50 years
Machinery and equipment	5-20 years
School buses and vehicles	5-10 years

Impairment of Long-lived Assets

Management reviews long-lived assets held and used by the School District for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. In the event that facts and circumstances indicate that the cost of any long-lived assets may be impaired, an evaluation of recoverability would be performed.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Defined Benefit Plan

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Michigan Public Employees Retirement System (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.

Deferred Outflows/Inflows of Resources

In addition to assets, the statements of net position and balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to future periods and so will not be recognized as an outflow of resources (expense/expenditure) until then. The School District has two items that qualify for reporting in this category. Deferred outflows are recognized for pension and other postemployment benefit related items which are expensed in the plan years in which they apply.

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 future periods and so will not be recognized as an inflow of resources (revenue) until that time. The School District has three items that qualify for reporting in this category. The School District reports unavailable revenue from state grants as an inflow of resources in the period that the amounts become available. The School District has future resources yet to be recognized in relation to the pension and other postemployment benefit actuarial calculations, including state aid funding for pensions. 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.

Compensated Absences

The liability for accumulated sick pay amounts is recorded in the District-wide statement of net position. The current portion of accumulated sick and vacation pay is recorded as a liability in the fund-based financial statements and the District-wide statements.

Unemployment Insurance

The School District reimburses the Michigan Employment Security Commission for the actual amount disbursed on behalf of the School District.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investment in Capital Assets, Net of Related Debt

This is the portion of net position of the School District that consists of capital assets, net of accumulated depreciation and reduced by long-term liabilities for notes, bonds and other debt attributable to the acquisition, construction or improvement of those assets.

Restricted Net Position

Net position is restricted when there are constraints placed on their use by external parties or by statute.

Unrestricted Net Position (Deficit)

Net position (deficit) not meeting either criteria above is considered unrestricted.

Fund Balance Policies

Fund balance measures the net financial resources available to finance expenditures of future periods. Fund balance is the difference between assets and liabilities reported in a governmental fund. The School District's Unassigned General Fund Balance will be maintained to provide the School District with sufficient working capital and a margin of safety to address local emergencies without unnecessary borrowing. The Unassigned General Fund Balance may only be appropriated by resolution of the School District's Board of Education (Board). It is recognized that it will not always be possible to avoid borrowing to provide cash flow.

Fund balances of the District may be committed for a specific source by formal action of the Board. Amendments or modifications to the Committed Fund Balance must also be approved by formal action of the Board. Committed Fund Balance does not lapse at year end.

The Board delegates authority to assign fund balance for a specific purpose to the Superintendent. Assigned Fund Balance does not lapse at year end.

Restricted fund balances are those amounts that can only be spent for the specific purposes stipulated by external resource providers.

Nonspendable Fund Balances include amounts that are not in a spendable form. The School District reports inventories and prepaid expenses as Nonspendable Fund Balances.

For purposes of fund balance classification, expenditures are to be spent from Restricted Fund Balance first (when appropriate), followed in order by Committed Fund Balance, Assigned Fund Balance and lastly, Unassigned Fund Balance.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

Subsequent Events

Subsequent events have been evaluated through the date of the audit report, the date the financial statements were available to be issued.

NOTE B – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgets

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

1. Prior to July 1, the School District Superintendent submits to the Board of Education a proposed operating budget for the fiscal year commencing July 1. The operating budget includes proposed expenditures and the means of financing them.

2. A public hearing is held to obtain taxpayer comments.

3. Prior to July 1, the budget is legally enacted at a regular meeting by Board of Education approval.

4. Any revisions to the budgeted amounts must be approved by the Board of Education.

5. Budgets for the General and Special Revenue Fund are adopted on a basis consistent with generally accepted accounting principles. Formal budgets are not required to be adopted for the Debt Service and Capital Projects Funds but are adopted and used as a management tool. Budgets lapse at the end of each year.

6. Budgeted amounts presented in the financial statements are as originally adopted, or as amended, by the Board of Education prior to June 30, 2020.

NOTE B – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (CONTINUED)

Public Act 621 of 1978 Disclosures

Public Act 621 of 1978 requires local units of government to prepare and to monitor their fiscal year budgets in accordance therewith. The Act provides that a school district must amend its budget if it becomes apparent that the school district's actual revenues will deviate from those budgeted, or if the school district's expenditures will exceed the amounts appropriated. During the year ended June 30, 2020, the School District monitored and amended its budget and was in substantial compliance with the Act.

Public Act 275 of 1980 Disclosure

The School District did not have any funds with a governmental fund-balance deficit at June 30, 2020.

NOTE C – CASH AND CASH EQUIVALENTS

All deposits were made in local financial institutions and brokerage firms whose deposits are covered by federal depository insurance. All deposits were made in accordance with State of Michigan statutes and under authorization of the Board of Education.

At June 30, 2020, cash on deposit and certificate of deposit investments in financial institutions and brokerage firms totaled $595,068 of which $345,068 either exceeded or was not subject to federal depository insurance. The District places its deposits with what it believes to be high quality financial institutions.

NOTE D – INVESTMENTS

Investments of the General Fund of $289,692 consist of deposits in an uninsured mutual fund with the Michigan School District Liquid Asset Fund account. The Fund is invested in accordance with Sections 622, 1221 and 1223 of the Michigan School Code. These deposits are short-term, highly liquid investments that are readily convertible to known amounts of cash and mature in short periods of time so that their values are effectively immune from changes in interest rates.

Investments of the Private-purpose Trust Fund of $274,297 at June 30, 2020, consisted of certificates of deposit totaling $98,004 and bond and mutual fund investments totaling $176,293 held in the School District's name for its private-purpose trust fund. The investments are not subject to categorization by risk category. The certificates of deposit are included in the federal depository insurance holdings above. The bond and mutual fund investments are not insured.

NOTE E – LONG-TERM LIABILITIES

A summary of long-term liability balances and activity (excluding pension related liabilities) for the year ended June 30, 2020, is as follows:

	Balance at July 1, 2019	Additions	Deductions	Balance at June 30, 2020	Current Portion
General obligation bonds:					
2010 School Improvement Bonds	$ 24,000		$ 24,000		
2015 School Bus Bonds	210,000		50,000	$ 160,000	$ 50,000
	$ 234,000		$ 74,000	$ 160,000	$ 50,000
Compensated absences	52,333	$ 6,792		59,125	7,751
	$ 286,333	$ 6,792	$ 74,000	$ 219,125	$ 57,751

Payments on the 2015 School Bus Bonds are made by the Debt Service Fund. Compensated absences and payments on the 2010 School Improvement Bonds are made by the General Fund.

The aggregate amounts of long-term debt principal and interest maturities (excluding compensated absences) for the five years, until maturity, are:

	General Obligation Bonds		
Year ending June 30,	Principal	Interest	Total
2021	$ 50,000	$ 5,440	$ 55,440
2022	55,000	3,740	58,740
2023	55,000	1,870	56,870
	$ 160,000	$ 11,050	$ 171,050

NOTE E – LONG-TERM LIABILITIES (CONTINUED)

Details of the School District's long-term liabilities at June 30, 2020, consist of the following:

Compensated Absences

Compensated absences consist of amounts due employees for unused accumulated sick leave upon termination of their employment. Members of the teachers' union can accumulate up to 180 days of sick leave and will be paid $40 per day for unused sick leave. Members of the local WMESP union can accumulate up to 190 days of sick leave and will be paid $35 per day for unused sick leave. The superintendent, business manager and administrative assistant will be paid $50, $50 and $40, respectively, for accumulated sick days up to a maximum of 130 to 180 days, as separately negotiated, upon termination of employment.

2010 School Improvement Bonds

In July 2010, the School District passed resolutions to issue $190,724 of School Improvement Bonds for the purpose of financing energy conservation improvements to the school. The bond proceeds and the expenditures were accounted for in the Capital Projects Fund – 2010 School Improvement Bonds. All transactions were in accordance with the provisions of the *Bulletin for School District Audits of Bonded Construction Funds and of Sinking Funds in Michigan* issued by the Michigan Department of Treasury, specifically Section 1351a of Act 451, Public Acts of Michigan 1976.

The bonds are general obligation, limited tax, federally taxable – Qualified Zone Academy Bonds (QZAB) – direct payment bonds bearing interest rates of 3.75% to 6%. The QZABs are issued pursuant to Section 54E of the Internal Revenue Code (Code) and the School District has irrevocably elected under Code Section 6431(f) to receive a refundable credit payment directly from the United States Treasury to be deposited in the General Fund to be used solely for payment of interest on the bonds. The bonds are not subject to redemption prior to maturity. The bonds are subject to extraordinary optional redemption as well as extraordinary mandatory redemption from unexpended bond proceeds in the event all proceeds of the bonds are not expended within the time period permitted by law. The limited tax, full faith, credit and resources of the School District are pledged for the payment of the principal and interest on the bonds. The final principal and interest payments were made on the bonds during the year ended June 30, 2020.

NOTE E – LONG-TERM LIABILITIES (CONTINUED)

2015 School Bus Bonds

In June 2015, the Wakefield-Marenisco School District issued 2015 School Bus Bonds in the amount of $395,000 for the purpose of purchasing school buses. The bonds were issued in accordance with Michigan Public Act 451 of 1976, as amended and Michigan Public Act 34 of 2001, as amended. The bond proceeds and the expenditures were accounted for in the Capital Projects Fund - 2015 School Bus Bond. All transactions were in accordance with the provisions of the *Bulletin for School District Audits of Bonded Construction Funds and of Sinking Funds in Michigan* issued by the Michigan Department of Treasury, Specifically Section 1351a of Act 451, Public Acts of Michigan 1976.

The bonds are general obligation, unlimited tax obligation bonds bearing an interest rate of 3.4%. The bonds are not subject to redemption prior to maturity. The bonds maturing during the year are subject to mandatory redemption, in part, by lot, at par and accrued interest on May 1 of the year in which the bonds are scheduled to mature. A summary of annual principal and interest requirements to maturity with interest due November 1 and principal and interest due May 1 follows:

Year ending June 30,	Principal	Interest	Total
2021	$ 50,000	$ 5,440	$ 55,440
2022	55,000	3,740	58,740
2023	55,000	1,870	56,870
	$ 160,000	$ 11,050	$ 171,050

NOTE F – RETIREMENT AND POST RETIREMENT BENEFITS

Plan Description

The Michigan Public School Employees' Retirement System (MPSERS) (System) is a cost-sharing, multiple employer, state-wide, defined benefit public employee retirement plan governed by the State of Michigan (State) originally created under Public Act 136 of 1945, recodified and currently operating under the provisions of Public Act 300 of 1980, as amended. Section 25 of this Act establishes the Board's authority to promulgate or amend the provisions of the System. The System issued a publicly available Comprehensive Annual Financial Report that can be obtained at www.michigan.gov/orsschools.

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.

The System is administered by the Office of Retirement Services (ORS) within the Michigan Department of Technology, Management and 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 of the System.

Benefits Provided - Overall

Participants are enrolled in one of multiple plans based on date of hire and certain voluntary elections. A summary of the pension plans offered by MPSERS is as follows:

Plan Name	Plan Type	Plan Status
Basic	Defined Benefit	Closed
Member Investment Plan (MIP)	Defined Benefit	Closed
Pension Plus	Hybrid	Closed
Pension Plus 2	Hybrid	Open
Defined Contribution	Defined Contribution	Open

NOTE F – RETIREMENT AND POST RETIREMENT BENEFITS (CONTINUED)

Benefits Provided - Pension

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

Prior to Pension Reform of 2010 there were two plans commonly referred to as Basic and the Member Investment Plan (MIP). Basic Plan member's contributions range from 0% to 4%. On January 1, 1987, the MIP was enacted. MIP members enrolled prior to January 1, 1990, contribute at a permanently fixed rate of 3.9% of gross wages. Members first hired January 1, 1990, or later including Pension Plus Plan members, contribute at various graduated permanently fixed contribution rates from 3% to 7%.

Pension Reform 2010

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

NOTE F – RETIREMENT AND POST RETIREMENT BENEFITS (CONTINUED)

Pension Reform 2012

On September 4, 2012, the Governor signed Public Act 300 of 2012 into law. The legislation grants all active members who first became a member before July 1, 2010 and who earned service credit in the 12 months ending September 3, 2012, or were on an approved professional services or military leave of absence on September 3, 2012, a voluntary election regarding their pension. Any changes to a member's pension are effective as of the member's *transition date*, which is defined as the first day of the pay period that begins on or after February 1, 2013. Under the reform, members voluntarily chose to increase, maintain, or stop their contributions to the pension fund. The amount is determined by the member's election of Option 1, 2, 3, or 4 described below.

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

- Basic plan members: 4% contribution
- Member Investment Plan (MIP)-Fixed, MIP-Graded, and MIP-Plus members: a flat 7% contribution

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

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

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

NOTE F – RETIREMENT AND POST RETIREMENT BENEFITS (CONTINUED)

Pension Reform 2012 (Continued)

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

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

Final Average Compensation - Average of the highest 60 consecutive months (36 months for MIP members). FAC is calculated as of the last day worked unless the member elected option 4, in which case the FAC is calculated at the *transition date*.

Pension Reform 2017

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

Benefits Provided – Other Postemployment Benefit (OPEB)

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

NOTE F – RETIREMENT AND POST RETIREMENT BENEFITS (CONTINUED)

Retiree Healthcare Reform 2012

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

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

Regular Retirement (no reduction factor for age)

Eligibility – A Basic plan member may retire at age 55 with 30 years credited service; or age 60 with 10 years credited service. For Member Investment Plan (MIP) members, age 46 with 30 years credited service; or age 60 with 10 years credited service; or age 60 with 5 years of credited service provided member worked through their 60th birthday and has credited service in each of the last 5 years. For Pension Plus Plan (PPP) members, age 60 with 10 years of credited service.

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

Member Contributions

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

NOTE F – RETIREMENT AND POST RETIREMENT BENEFITS (CONTINUED)

Regular Retirement (no reduction factor for age) (Continued)

Employer Contributions

Employers are required by Public Act 300 of 1980, as amended, to contribute amounts necessary to finance the coverage of members and retiree Other Post-Employment Benefits (OPEB). Contribution provisions are specified by State statute and may be amended only by action of the State Legislature.

Employer contributions to the System are determined on an actuarial basis using the entry age normal actuarial cost method. Under 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.

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

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

	Pension	Other postemployment benefit
October 1, 2018 - September 30, 2019	13.39% - 19.59%	7.57% - 7.93%
October 1, 2019 - September 30, 2020	13.39% - 19.59%	7.57% - 8.09%

The School District's pension contributions of $502,257 for the year ended June 30, 2020 were equal to the required contribution total.

The School District's OPEB contributions of $132,573 for the year ended June 30, 2020 were equal to the required contribution total.

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

NOTE F – RETIREMENT AND POST RETIREMENT BENEFITS (CONTINUED)

Pension Liabilities

At June 30, 2020, the School District reported a liability $6,131,973 for its proportionate share of the 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 date of September 30, 2018 and rolled forward using generally accepted actuarial procedures. The School District's proportion of the net pension liability was based on a projection of its long-term share of contributions to the pension plan relative to the projected contributions of all participating reporting units, actuarially determined. At September 30, 2019 and 2018, the School District's proportionate share was 0.01852 and 0.01883 percent, respectively.

MPSERS (Plan) Non-university employers:		September 30, 2019		September 30, 2018
Total pension liability	$	83,442,507,212	$	79,863,694,444
Plan fiduciary net position	$	50,325,869,338	$	49,801,889,205
Net pension liability	$	33,116,637,824	$	30,061,805,239
Proportionate share		.01852%		.01883%
Net pension liability for the School District	$	6,131,973	$	5,659,153

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

For the year ended June 30, 2020, the School District recognized pension expense of approximately $469,886. This amount excludes contributions funded from state revenue Section 147c restricted to fund the MPSERS Unfunded Actuarial Accrued Liability (UAAL) Stabilization Rate. These amounts have been recorded as a deferred outflow of resources as of June 30, 2020.

NOTE F – RETIREMENT AND POST RETIREMENT BENEFITS (CONTINUED)

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

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

	Deferred Outflows of Resources	Deferred (Inflows) of Resources
Change in assumptions	$ 1,200,645	
Net difference between projected and actual earnings on pension plan investment earnings		$ (196,519)
Differences between expected and actual experience	27,485	(25,570)
Changes in proportion and differences between employer contributions and proportionate share of contributions	27,148	(63,446)
Reporting unit's contributions subsequent to the measurement date	487,776	
	$ 1,743,054	$ (285,535)

$487,776 reported as deferred outflows of resources related to pensions resulting from District 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.

NOTE F – RETIREMENT AND POST RETIREMENT BENEFITS (CONTINUED)

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

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

Year ended September 30,	
2021	$ 398,637
2022	308,100
2023	188,984
2024	74,022
	$ 969,743

OPEB Liabilities

At June 30, 2020, the School District reported a liability of $1,318,057 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of September 30, 2019, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation date of September 30, 2018 and rolled forward using generally accepted actuarial procedures. The School District's proportion of the net OPEB liability was based on a projection of its long-term share of contributions to the OPEB plan relative to the projected contributions of all participating reporting units, actuarially determined. At September 30, 2019 and 2018, the School District's proportionate share was .018363 and .018774 percent, respectively.

MPSERS (Plan) Non-university employers:	September 30, 2019	September 30, 2018
Total OPEB liability	$ 13,925,860,688	$ 13,932,170,264
Plan fiduciary net position	$ 6,748,122,668	$ 5,983,218,473
Net OPEB liability	$ 7,177,748,020	$ 7,948,951,791
Proportionate share	.018363%	.018774%
Net OPEB liability for the School District	$ 1,318,057	$ 1,492,314

NOTE F – RETIREMENT AND POST RETIREMENT BENEFITS (CONTINUED)

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

For the year ended June 30, 2020, the School District recognized an OPEB credit of approximately $107,122.

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

	Deferred Outflows of Resources	Deferred (Inflows) of Resources
Change in assumptions	$ 285,596	
Net difference between projected and actual earnings on OPEB plan investment earnings		$ (22,922)
Differences between expected and actual experience		(483,632)
Changes in proportion and differences between employer contributions and proportionate share of contributions	1,073	(31,439)
Reporting unit's contributions subsequent to the measurement date	111,060	
	$ 397,729	$ (537,993)

$111,060 reported as deferred outflows of resources related to OPEB resulting from School District 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.

NOTE F – RETIREMENT AND POST RETIREMENT BENEFITS (CONTINUED)

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB (Continued)

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

Year ended September 30,	
2019	$ (67,737)
2020	(67,737)
2021	(56,299)
2022	(38,640)
2023	(20,911)
	$ (251,324)

Actuarial Assumptions

Investment rate of return for pension – 6.80% a year, compounded annually net of investment and administrative expenses for the MIP, Basic and Pension Plus groups and 6.00% a year, compounded annually net of investment and administrative expenses for Pension Plus 2 Plan.

Investment rate of return for OPEB – 6.95% a year, compounded annually net of investment and administrative expenses.

Salary increases - The rate of pay increase used for individual members is 2.75%.

Inflation – 3.0%

Mortality assumptions –

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

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

Disabled retirees: RP-2014 Male and Female Disabled Annuitant Mortality Tables scaled by 100% and adjusted for mortality improvements using projection scale MP-2017 from 2006.

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

NOTE F – RETIREMENT AND POST RETIREMENT BENEFITS (CONTINUED)

Actuarial Assumptions (Continued)

The long-term expected rate of return on pension and other postemployment benefit plan investments - The pension rate was 6.80% (MIP. Basic, and Pension Plus Plan) and 6% for Pension Plus 2 Plan, and the other postemployment benefit rate was 6.95%, net of investment and administrative expenses was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

Cost of Living Pension Adjustments – 3.0% annual non-compounded for MIP members.

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

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

Opt Out Assumption – 21% of eligible participants hired before July 1, 2008 and 30% of those hired after June 30, 2008 are assumed to opt out of the retiree health plan.

Survivor Coverage – 80% of male retirees and 67% of female retirees are assumed to have coverage continuing after the retiree's death.

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

NOTE F – RETIREMENT AND POST RETIREMENT BENEFITS (CONTINUED)

Actuarial Assumptions (Continued)

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

Investment Category	Target Location	Long-term Expected Real Rate of Return*
Domestic Equity Pools	28.00%	5.50%
Alternate Investment Pools	18.00%	8.60%
International Equity Pools	16.00%	7.30%
Fixed Income Pools	10.50%	1.20%
Real Estate and Infrastructure Pools	10.00%	4.20%
Absolute Return Pools	15.50%	5.40%
Short Term Investment Pools	2.00%	0.80%
	100.00%	

*****Long-term rate of return is net of administrative expenses and 2.3% of inflation.

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

Pension Discount rate **–** A single discount rate of 6.80% was used to measure the total pension liability (6.0% for Pension Plus 2 Plan). This discount rate was based on the expected rate of return on pension plan investments of 6.80% (6.0% for the Pension Plus 2 Plan). The projection of cash flows used to determine this single discount rate assumed that plan member contributions will be made at the current contribution rate and that contributions from school districts will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

NOTE F – RETIREMENT PLAN AND POST RETIREMENT BENEFITS (CONTINUED)

Actuarial Assumptions (Continued)

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

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

The following presents the Reporting Unit's proportionate share of the net pension liability calculated using the discount rate of 6.80% (6.00% for Pension Plus 2 Plan), as well as what the Reporting Unit's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	Pension		
	1% Decrease (5.8%/5.8%/5.0%)	Discount Rate (6.85%/6.8%/6.0%)	1% Increase (7.8%/7.8%/7.0%)
Reporting Unit's proportionate share of net pension liability	$ 7,971,957	$ 6,131,973	$ 4,606,562

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

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

	Other Post Employment Benefit		
	1% Decrease (5.95%)	Discount Rate (6.95%)	1% Increase (7.95%)
Reporting Unit's proportionate share of net OPEB liability	$ 1,616,795	$ 1,318,057	$ 1,067,200

NOTE F – RETIREMENT PLAN AND POST RETIREMENT BENEFITS (CONTINUED)

Sensitivity to the Net OPEB Liability to Changes in the Healthcare Cost Trend Rates

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

	Other Post Employment Benefit		
	1% Decrease (6.5% decreasing to 2.5%)	Healthcare Cost Trend Rate (7.5% decreasing to 3.5%)	1% Increase (8.5% decreasing to 4.5%)
Reporting Unit's proportionate share of net OPEB liability	$ 1,056,565	$ 1,318,057	$ 1,616,760

Pension and OPEB Plan Fiduciary Net Position

Detailed information about the pension and OPEB plan's fiduciary net position is available in the separately issued Michigan Public School Employees Retirement System 2019 Comprehensive Annual Financial Report.

Payable to the Pension and OPEB Plan

At June 30, 2020, the School District is current on all required pension plan payments. Amounts accrued at June 30, 2020 for accounting purposes were $82,703 and included in the financial statements as a liability titled accrued salaries, benefits, and related withholdings. These amounts represent current payments for June paid in July, accruals for summer pay primarily for teachers and the contributions due funded from state revenue Section 147c restricted to fund the MPSERS Unfunded Actuarial Accrued Liability (UAAL).

NOTE G – CAPITAL ASSETS

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

	Balance at July 1, 2019	Additions	Disposals	Balance at June 30, 2020
Land	$ 12,335			$ 12,335
Land improvements	541,848			541,848
Buildings	2,751,619	$ 194,216		2,945,835
Machinery and equipment	270,023			270,023
Vehicles	412,081	89,735	$ 68,627	433,189
	$ 3,987,906	$ 283,951	$ 68,627	$ 4,203,230
Accumulated Depreciation:				
Land improvements	$ 288,776	$ 20,268		$ 309,044
Buildings	1,317,823	60,375		1,378,198
Machinery and equipment	196,085	7,364		203,449
Vehicles	215,707	43,739	$ 68,627	190,819
	$ 2,018,391	$ 131,746	$ 68,627	$ 2,081,510
	$ 1,969,515	$ 152,205	$ 0	$ 2,121,720

All depreciation expense was not allocable to specific functions. The land is a non-depreciable asset.

NOTE H – INTERFUND RECEIVABLES AND PAYABLES

The General Fund owes the Special Revenue Fund $35 as of June 30, 2020 for revenues received by the General Fund not transferred to the Special Revenue Fund during the year ended June 30, 2020.

NOTE I – RISK MANAGEMENT

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

The School District's comprehensive general liability coverage is $1,000,000 combined single limit of liability per occurrence with no deductible amount. The workers' disability compensation coverage is based on statutory limits. The School District continues to carry commercial insurance for other risks of loss, including employee health and accident insurance.

All risk management activities are accounted for in the General Fund and Special Revenue Fund of the School District. Expenditures and claims are recognized when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. In determining claims, events that might create claims, but for which none have been reported, are considered.

Management estimates that the amount of actual or potential claims against the School District as of June 30, 2020 will not materially affect the financial condition of the School District. Therefore, the financial statements contain no provision for estimated claims. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three years for the School District.

NOTE J – RESTRICTED NET POSITION

At June 30, 2020, the School District had net position of $63,358 restricted for debt service, $31,537 for school bus purchases, $42,487 for capital projects sinking fund and $1,871 for food service.

NOTE K – SINKING FUND

On May 5, 2015, the voters of the School District authorized the Board of Education to levy up to one mill on taxable valuation for a period of 8 years, 2015 to 2022, inclusive, to create a sinking fund for the purchase of real estate sites for, and the construction or repair of school buildings and all other purposes authorized by law. The tax collection proceeds and the expenditures are accounted for in the Capital Projects Fund. The School District has complied with the applicable provisions of Section 1212(1) of the revised School Code and the applicable section of the revised *Bulletin for School District Audits of Bonded Construction Funds and of Sinking Funds in Michigan*.

NOTE L – UPCOMING ACCOUNTING PRONOUNCEMENTS

Governmental Accounting Standards Board (GASB) Statement No. 84, *Fiduciary Activities*, was issued by the GASB in January 2017 and will be effective for the School District's 2021 fiscal year. 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.

Governmental Accounting Standards Board (GASB) Statement No. 87, *Leases*, was issued by the GASB in June 2017 and will be effective for the School District's 2022 fiscal year. The objective of this Statement is to increase the usefulness of government 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 government leasing activities.

NOTE M – SUBSEQUENT EVENTS

Covid-19 Outbreak

The Covid-19 outbreak in the State of Michigan has resulted in government and business disruption throughout the State of Michigan. The State of Michigan Governor's executive orders included declaring a state of emergency in Michigan and stay-at-home orders to combat the spread of the outbreak. While the disruption is expected to be temporary and the stay-at-home order has been relaxed, there is considerable uncertainty as to the effect of the disruption on businesses and government. The School District's management is unable to determine the potential negative impact this may have on current and future finances of the School District at this time.

REQUIRED

SUPPLEMENTAL

INFORMATION

BUDGETARY COMPARISON SCHEDULE

WAKEFIELD-MARENISCO SCHOOL DISTRICT

Year ended June 30, 2020

	General Fund Original Budget	General Fund Final Budget	General Fund Actual
REVENUES			
Local sources	$ 1,255,283	$ 1,277,059	$ 1,288,710
State sources	1,503,502	1,452,209	1,554,850
Federal sources	237,018	252,624	272,978
Other sources	49,936	17,808	19,588
TOTAL REVENUES	$ 3,045,739	$ 2,999,700	$ 3,136,126
EXPENDITURES			
Current:			
Education:			
Instruction:			
Basic programs	$ 1,621,953	$ 1,525,887	$ 1,516,764
Added needs	417,327	594,238	569,894
	$ 2,039,280	$ 2,120,125	$ 2,086,658
Supporting services:			
Instructional	$ 1,000	$ 1,000	$ 196
General administration	199,576	207,337	185,486
School administration	110,022	108,269	104,853
Business	609,154	596,984	586,327
Other		22,985	22,239
Transfers to other school districts	37,003	37,198	36,889
	$ 956,755	$ 973,773	$ 935,990
Athletics	101,348	90,528	90,641
Debt Service	25,440	25,440	25,440
Capital Outlay		3,223	3,223
TOTAL EXPENDITURES	$ 3,122,823	$ 3,213,089	$ 3,141,952
(DEFICIENCY) OF REVENUES OVER EXPENDITURES	$ (77,084)	$ (213,389)	$ (5,826)
OTHER FINANCING USE -			
Operating transfer out		(15,250)	$ (16,650)
(DEFICIENCY) OF REVENUES OVER EXPENDITURES AND OTHER FINANCING USE	$ (77,084)	$ (228,639)	$ (22,476)
Fund balance at July 1, 2019	552,626	552,626	552,626
FUND BALANCE AT JUNE 30, 2020	$ 475,542	$ 323,987	$ 530,150

SCHEDULE OF THE REPORTING UNIT'S PROPORTIONATE SHARE OF NET PENSION LIABILITY AND RELATED NOTES MICHIGAN PUBLIC SCHOOLS EMPLOYEES RETIREMENT PLAN

WAKEFIELD-MARENISCO SCHOOL DISTRICT

June 30, 2020

	Year ended September 30,					
	2019	2018	2017	2016	2015	2014
Reporting unit's proportion of net pension liability (%)	0.01852%	0.01878%	0.01880%	0.01852%	0.01844%	0.01748%
Reporting unit's proportionate share of net pension liability	$ 6,131,973	$ 5,659,153	$ 4,872,081	$ 4,619,813	$4,514,685	$3,850,455
Reporting unit's covered-employee payroll	$ 1,611,327	$ 1,698,685	$ 1,589,737	$ 1,566,664	$1,615,218	$1,537,047
Reporting unit's proportionate share of net pension liability as a percentage of its covered-employee payroll	380.55%	333.15%	306.47%	294.88%	279.51%	250.51%
Plan fiduciary net position as a percentage of total pension liability	60.31%	62.63%	64.21%	63.27%	63.17%	66.20%

Notes:

1. This schedule is presented to illustrate the School District's pension liability in the Michigan Public School Employees Retirement Plan for the last 10 fiscal years (amounts were determined as of September 30 of each fiscal year). However, until a full 10 year trend is compiled, the School District presents information for those years for which information is available.

2. Changes of benefit terms: There were no changes of benefit terms in 2019.

3. Changes of assumptions: The assumption changes for 2019 were:
   a. The discount rate for MIP and Basic plans decreased to 6.08% from 7.05%.

   b. The discount rate for Pension Plus decreased to 6.80% from 7.00%.

SCHEDULE OF THE REPORTING UNIT'S PENSION CONTRIBUTIONS AND RELATED NOTES
MICHIGAN PUBLIC SCHOOLS EMPLOYEES RETIREMENT PLAN

WAKEFIELD-MARENISCO SCHOOL DISTRICT

June 30, 2020

	Year ended June 30,					
	2020	2019	2018	2017	2016	2015
Statutorily required contributions	$ 502,257	$ 499,441	$ 477,664	$ 439,650	$ 434,540	$ 339,075
Contributions in relation to statutorily required contributions	502,257	499,441	477,664	439,650	434,540	339,075
Contribution deficiency (excess)	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0
Reporting unit's covered-employee payroll	$1,672,494	$1,610,089	$1,691,971	$1,594,188	$1,615,218	$1,619,020
Contributions as a percentage of covered-employee payroll	30.03%	31.02%	28.23%	27.58%	26.90%	20.94%

Notes:

1. This schedule is presented to illustrate the School District's pension contributions to the Michigan Public School Employees Retirement Plan for the last 10 fiscal years (amounts were determined as of June 30 of each fiscal year). However, until a full 10 year trend is compiled, the School District presents information for those years for which information is available.

2. Changes of benefit terms: There were no changes of benefit terms in 2019.

3. Changes of assumptions: The assumption changes for 2019 were:
    a. The discount rate for MIP and Basic plans decreased to 6.08% from 7.05%.

    b. The discount rate for Pension Plus decreased to 6.80% from 7.00%.

SCHEDULE OF THE REPORTING UNIT'S PROPORTIONATE SHARE
OF NET OPEB LIABILITY AND RELATED NOTES
MICHIGAN PUBLIC SCHOOLS EMPLOYEES RETIREMENT PLAN

WAKEFIELD-MARENISCO SCHOOL DISTRICT

June 30, 2020

	Year ended September 30,		
	2019	2018	2017
Reporting unit's proportion of net OPEB liability (%)	0.01836%	0.01877%	0.01876%
Reporting unit's proportionate share of net OPEB liability	$ 1,318,057	$ 1,492,314	$ 1,660,967
Reporting unit's covered-employee payroll	$ 1,611,327	$ 1,698,685	$ 1,589,737
Reporting unit's proportionate share of net OPEB liability as a percentage of its covered-employee payroll	81.80%	87.85%	104.48%
Plan fiduciary net position as a percentage of total OPEB liability	48.46%	42.95%	36.39%

Notes:

1. This schedule is presented to illustrate the School District's net OPEB liability in the Michigan Public School Employees Retirement Plan for the last 10 fiscal years (amounts were determined as of September 30 of each fiscal year). However, until a full 10 year trend is compiled, the School District presents information for those years for which information is available.

2. Changes of benefit terms: There were no changes of benefit terms in 2019.

3. Changes of assumptions: The assumption changes for 2019 were:
   a. The discount rate decreased to 6.95% from 7.15%.

   b. 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.

SCHEDULE OF THE REPORTING UNIT'S OPEB CONTRIBUTIONS
AND RELATED NOTES
MICHIGAN PUBLIC SCHOOLS EMPLOYEES RETIREMENT SYSTEM

WAKEFIELD-MARENISCO SCHOOL DISTRICT

June 30, 2020

	Year ended June 30,		
	2020	2019	2018
Statutorily required contributions	$ 132,573	$ 124,779	$ 116,191
Contributions in relation to statutorily required contributions	132,573	124,779	116,191
Contribution deficiency (excess)	$ 0	$ 0	$ 0
Reporting unit's covered-employee payroll	$ 1,672,494	$ 1,610,089	$ 1,691,971
Contributions as a percentage of covered-employee payroll	7.93%	7.75%	6.87%

Notes:

1. This schedule is presented to illustrate the School District's OPEB contributions to the Michigan Public School Employees Retirement Plan for the last 10 fiscal years (amounts were determined as of June 30 of each fiscal year). However, until a full 10 year trend is compiled, the School District presents information for those years for which information is available.

2. Changes of benefit terms: There were no changes of benefit terms in 2020.

3. Changes of assumptions: The assumption changes for 2019 were:
   a. The discount rate decreased to 6.95% from 7.15%.

   b. 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.

OTHER FINANCIAL INFORMATION

DETAIL OF REVENUES - BUDGET AND ACTUAL - GENERAL FUND

WAKEFIELD-MARENISCO SCHOOL DISTRICT

Year ended June 30, 2020

	Budget	Actual	Variance Favorable (Unfavorable)
Local sources:			
General property taxes		$ 1,236,770	
Athletics		18,515	
Penalties and interest on delinquent taxes		6,295	
Earnings on investments		8,101	
Other		19,029	
	$ 1,277,059	$ 1,288,710	$ 11,651
State Sources:			
State aid foundation		$ 976,317	
Isolated districts		14,716	
MPSERs Cost Offset 147(a)		55,880	
MPSERs Cost Offset 147(c)		203,059	
MPSERs Reform - Defined Contribution 147(e)		1,649	
School Counselor Grant 31(n)		24,000	
Headlee Obligation for Data Collection		7,345	
At risk		117,445	
Early Literacy Targeted Inst 35a		4,969	
Competitive School Safety Grant Program		3,223	
Energy grant		15,000	
Career Technical Education 61(d)		753	
Special education		59,529	
Other school districts - Great Start Readiness Program		70,965	
	1,452,209	$ 1,554,850	102,641
Federal Sources:			
Title I		$ 86,397	
Title IIA		14,563	
Title IV		10,000	
Impact aid		43,726	
Rural Education Achievement		8,501	
Schools and roads grant		109,791	
	252,624	$ 272,978	20,354
Other Sources	17,808	19,588	1,780
TOTAL REVENUES	$ 2,999,700	$ 3,136,126	$ 136,426

DETAIL OF EXPENDITURES - BUDGET AND ACTUAL - GENERAL FUND

WAKEFIELD-MARENISCO SCHOOL DISTRICT

Year ended June 30, 2020

	Budget	Actual	Variance Favorable (Unfavorable)
INSTRUCTION			
Basic programs:			
Elementary		$ 751,563	
Secondary		681,696	
Early childhood education		83,505	
TOTAL BASIC PROGRAMS	$ 1,525,887	$ 1,516,764	$ 9,123
Added needs:			
Special education		$ 193,301	
Compensatory education		248,799	
Guidance services		127,794	
TOTAL ADDED NEEDS	594,238	$ 569,894	24,344
TOTAL INSTRUCTION	$ 2,120,125	$ 2,086,658	$ 33,467
SUPPORTING SERVICES			
Instructional	$ 1,000	$ 196	$ 804
General administration:			
Board of education		$ 21,271	
Executive administration		164,215	
	207,337	$ 185,486	21,851
School administration	108,269	104,853	3,416
Business:			
Fiscal		$ 112,825	
Operation and maintenance of plant		300,471	
Pupil transportation		173,031	
	596,984	$ 586,327	10,657
Other	22,985	22,239	746
Transfers to other school districts	37,198	36,889	309
TOTAL SUPPORTING SERVICES	$ 973,773	$ 935,990	$ 37,783
ATHLETICS	90,528	90,641	(113)
DEBT SERVICE	25,440	25,440	
CAPITAL OUTLAY	3,223	3,223	
TOTAL EXPENDITURES	$ 3,213,089	$ 3,141,952	$ 71,137
OTHER FINANCING USE - Transfer	15,250	16,650	(1,400)
TOTAL EXPENDITURES AND OTHER FINANCING USE	$ 3,228,339	$ 3,158,602	$ 69,737

STATEMENT OF CHANGES IN FIDUCIARY
ASSETS AND LIABILITIES - AGENCY FUND

WAKEFIELD-MARENISCO SCHOOL DISTRICT

Year ended June 30, 2020

	Balance at July 1, 2019	Additions	Deductions	Balance at June 30, 2020
Assets:				
Cash	$ 60,083	$ 50,670	$ 43,560	$ 67,193
Liabilities - due student and other school groups	$ 60,083	$ 50,670	$ 43,560	$ 67,193

DETAIL OF DELINQUENT TAXES RECEIVABLE

WAKEFIELD-MARENISCO SCHOOL DISTRICT

Year ended June 30, 2020

Year Levied		Balance at July 1, 2019	Levy	Collected	Adjustments	Balance at June 30, 2020
General Operations:						
2019			$ 1,236,770	$ 1,236,590		$ 180
2018		$ 442			$ (442)	
	TOTAL	$ 442	$ 1,236,770	$ 1,236,590	$ (442)	$ 180
Capital projects:						
2019			$ 117,527	$ 117,500		$ 27
2018		$ 231			$ (231)	
	TOTAL	$ 231	$ 117,527	$ 117,500	$ (231)	$ 27
Debt service:						
2019			$ 68,940	$ 68,924		$ 16
2018		$ 13			$ (13)	
	TOTAL	$ 13	$ 68,940	$ 68,924	$ (13)	$ 16

SUPPLEMENTAL

REPORT

MAKELA, POLLACK & AHONEN, P.L.L.C.
CERTIFIED PUBLIC ACCOUNTANTS
301 N. SUFFOLK STREET
IRONWOOD, MICHIGAN 49938-2027

A. R. POLLACK, C.P.A., C.S.E.P.
K. T. AHONEN, C.P.A.
MEMBERS

TELEPHONE
(906) 932-4430
FAX
(906) 932-0677
EMAIL
mpa@ironwoodcpa.com

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

President and Members, Board of Education
Wakefield-Marenisco School District
Wakefield, Michigan

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Wakefield-Marenisco School District (the School District) as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements and have issued our report thereon dated November 16, 2020.

Internal Control over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or 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 the School District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not 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.

Makela, Pollack & Ahonen, PLLC

Certified Public Accountants

Ironwood, Michigan
November 16, 2020

MAKELA, POLLACK & AHONEN, P.L.L.C.
CERTIFIED PUBLIC ACCOUNTANTS
301 N. SUFFOLK STREET
IRONWOOD, MICHIGAN 49938-2027

A. R. POLLACK, C.P.A., C.S.E.P.
K. T. AHONEN, C.P.A.
MEMBERS

TELEPHONE
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FAX
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EMAIL
mpa@ironwoodcpa.com

November 16, 2020

President and Members, Board of Education
Wakefield-Marenisco School District
Wakefield, Michigan

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Wakefield-Marenisco School District (the School District) for the year ended June 30, 2020. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *Government Auditing Standards,* as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our engagement letter to you dated August 4, 2020 and during our audit planning meeting. Professional standards also require that we communicate to you the following information related to our audit.

<u>Significant Audit Findings</u>

Qualitative Aspects of Accounting Practices

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

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were recording of historical costs of fixed assets, setting of the useful lives of fixed assets, including the calculation of depreciation of fixed assets, salvage values of fixed assets, pension and other postemployment benefit related items and estimating the liability for compensated absences.

Significant Audit Findings (Continued)

Qualitative Aspects of Accounting Practices (Continued)

Management's estimate of the historical cost, useful lives and related depreciation expense is based on past experience and appraisal reports done by Maximus, Inc., the actual cost for recently acquired capital assets and depreciation lives and methods used in the past that are similar to other school districts. The pension and postemployment benefit related items are based on information and actuarial calculations provided by the plan administrator. The liability for compensated absences is estimated by multiplying sick and vacation hours accrued by the applicable rates to be paid per employment contracts. We evaluated the key factors and assumptions used to develop the accounting estimates in determining that they are reasonable in relation to the financial statements taken as a whole.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statements users. The most sensitive disclosure affecting the financial statements was Note F to the financial statements regarding the defined benefit plan and postretirement benefits.

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 and a list has been given to the Business Manager. 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 the 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 16, 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 School District's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

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

Other Matters

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

We were engaged to report on Other Financial Information which accompany the financial statements but are not RSI. With respect to the Other Financial 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 Other Financial Information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

A separate management letter was not issued.

Restriction on Use

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

Very truly yours,

Makela, Pollack + Ahonen, PLLC

Certified Public Accountants

Wakefield-Marenisco School District

715 Putnam Street
Wakefield, Michigan 49968

Office of the Superintendent
Phone 906/224-9421
Fax 906/224-1771

Office of the Principal
Phone 906/224-7211

Michigan Department of Education
Office of Audits
Hannah Building, 4th Floor, B17
P.O. Box 30008
Lansing, MI 48909

MEMO RE: Wakefield-Marenisco School District, Gogebic County, Michigan
Management Letter

Our auditors, Makela, Pollack & Ahonen, PLLC, have completed their audit for our fiscal year ended June 30, 2020, and have not issued a separate management letter. Any conditions requiring reporting were reported in the "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.*"

Tina Trevarthen 11/13/20

Tina Trevarthen, Business Manager Date