Mar Lee School

Calhoun County, Michigan

FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT

Year Ended June 30, 2019

Mar Lee School

Table of Contents

June 30, 2019

DOUGLAS WOHLBERG, CPA
Certified Public Accountants

2496 84th Street SW
Byron Center, MI 49315
Phone (616) 583-0094
Fax (866) 569-0725
Email: doug@wohlbergcpa.com

INDEPENDENT AUDITOR'S REPORT

To the Board of Education
Mar Lee School
Calhoun County, Michigan

Report on the Financial Statements
We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Mar Lee School as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements as listed in the table of contents.

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

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

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

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

Opinions
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Mar Lee School as of June 30, 2019, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the administration'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 not 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 Mar Lee School's basic financial statements. The combining nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated October 22, 2019, on our consideration of the Mar Lee School internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Mar Lee School internal control over financial reporting and compliance.

Douglas Wohlberg

Douglas Wohlberg, CPA
Byron Center, Michigan
October 22, 2019

Mar Lee School

Administration's Discussion and Analysis

For the year ended June 30, 2019

Mar Lee School is a K-8 School District located in Calhoun County, Michigan. This Administration's Discussion and Analysis Section, a requirement of GASB 34, is intended to be the Mar Lee School Administration's discussion and analysis of the financial results for the fiscal year ended June 30, 2019.

Generally accepted accounting principles (GAAP) according to Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*, (GASB 34) requires the reporting of two types of financial statements: District-wide Financial Statements and Fund Financial Statements

Fund Financial Statements

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

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

District-wide Financial Statements

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

Mar Lee School

Administration's Discussion and Analysis

For the year ended June 30, 2019

Summary of Net Position

The following summarizes the net position at fiscal year ended June 30, 2019.

		2019		2018
ASSETS				
Current assets	$	1,585,314	$	1,436,592
Capital assets		2,319,969		2,207,197
Total assets		3,905,283		3,643,789
Deferred outflows of resources		1,643,762		920,795
LIABILITIES				
Current liabilities		1,034,944		1,041,011
Long-term liabilities		7,385,597		7,143,265
Total liabilities		8,420,541		8,184,276
Deferred inflows of resources		1,159,118		564,834
NET POSITION				
Net investment in capital assets		1,280,326		1,177,197
Restricted:				
Food service		56,992		28,046
Debt service		27,690		34,001
Capital projects		215,081		207,085
Unrestricted		(5,610,703)		(5,630,855)
Total net position	$	(4,030,614)	$	(4,184,526)

Analysis of Financial Position

During fiscal year ended June 30, 2019, the District's net position increased by $153,912.

Depreciation Expense

GASB 34 requires School Districts to maintain a record of annual depreciation expense and accumulated depreciation. The net increase in accumulated depreciation expense is a reduction in net position.

For fiscal year ended June 30, 2019, the net increase in accumulated depreciation was $(5,801).

Depreciation expense is recorded on a straight-line basis over the estimated useful lives of assets. In accordance with generally accepted accounting principles (GAAP), depreciation expense is recorded based on the original cost of the asset less an estimated salvage value.

One way to think of depreciation expense is that in order to maintain net position at the same level, acquisitions of capital outlay and capitalized major maintenance projects would have to equal the annual depreciation expense. In other words, to stay even in net position the District would have had to capitalize $(5,801) in assets during the year.

Capital Outlay Acquisitions

Actual capital outlay acquisitions for fiscal year ended June 30, 2019 were $232,345.

Combined with the increase in accumulated depreciation, net position (i.e., net book value) invested in capital assets increased by $112,772 during the year. This is the additional amount the District would have had to spend to maintain the same net value of assets.

Since accumulated depreciation is based on original cost, it does not take into consideration inflation. As a result, the actual investment in capital outlay would have to be more than depreciation expense in order to maintain assets at the same level of maintenance and upkeep.

Debt Administration

At year end, the District had $1,042,443 in outstanding long-term debt including compensated absences. Long-term liabilities had a net increase of $9,643. Additions to long-term debt include lease liabilities for two busses of $180,222. Reductions to long-term debt include principal payments on bonds payable of $140,000, and lease payments of $30,579. See note 9 in the notes to basic financial statements for additional information.

Mar Lee School

Administration's Discussion and Analysis

For the year ended June 30, 2019

Results of Operations

For the fiscal year ended June 30, 2019, the district-wide results of operations were:

	2019	% of Total	2018	% of Total
General Revenues				
Michigan's Foundation Grant Allowance:				
Property taxes levied for general operations	$ 698,803	19.7 %	$ 618,625	18.9 %
State of Michigan Aid, unrestricted	1,672,861	47.3 %	1,547,669	47.3 %
Michigan's Foundation Grant Allowance	2,371,664	67.0 %	2,166,294	66.2 %
Property taxes levied for debt service	157,474	4.4 %	168,256	5.1 %
Property taxes levied for capital outlay	64,067	1.8 %	61,172	1.9 %
Other	25,351	0.7 %	17,787	0.5 %
Total general revenues	2,618,556	73.9 %	2,413,509	73.7 %
Program Revenues				
Charges for services	95,634	2.7 %	82,215	2.5 %
Operating grants - Federal and State	830,403	23.4 %	781,571	23.8 %
Total revenues	3,544,593	100.0 %	3,277,295	100.0 %
Expenses				
Instructional	2,115,115	62.4 %	1,956,908	64.1 %
Support services	990,739	29.2 %	831,371	27.3 %
Food services	135,447	4.0 %	133,891	4.4 %
Interest on long-term debt	29,807	0.9 %	33,024	1.1 %
Depreciation (unallocated)	119,573	3.5 %	95,001	3.1 %
Total expenses	3,390,681	100.0 %	3,050,195	100.0 %
Change in net position	$ 153,912		$ 227,100	

Property Taxes levied for General Operations (General Fund Property Taxes)

The District levied 18.00 mills of property taxes for operations (General Fund) on Non-Homestead Properties. Under Michigan law, the taxable levy is based on the taxable valuation of properties. Annually, the taxable valuation increase in property values is capped at the rate of the prior year's CPI increase or 5%, whichever is less. At the time of sale, a property's taxable valuation is readjusted to the State Equalized Value, which is, theoretically, 50% of the market value.

The District's non-homestead property levy for the 2018-2019 fiscal year was $692,826. The non-homestead tax levy increased by 12.38% over the prior year levy of $616,519.

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

Fiscal Year	Non Homestead Tax Levy	Percent Change
2018-2019	$ 692,826	12.38 %
2017-2018	616,519	0.43 %
2016-2017	613,908	1.92 %
2015-2016	602,329	103.87 %
2014-2015	295,446	37.16 %

The average increase over the last 5 years was 31.15%.

State of Michigan Aid, Unrestricted

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

a. State of Michigan State Aid Act per student foundation allowance
b. Student Enrollment - Blended at 90% of current year fall count and 10% of prior year winter count
c. The District's non-homestead levy

Per Student, Foundation Allowance:

Annually, the State of Michigan sets the per student foundation allowance. The Mar Lee School foundation allowance was $7,871 per student for the 2018-2019 school year. This represents an increase of $240 per pupil from the District's 2017-2018 foundation allowance.

Student Enrollment:

The District's student enrollment in 2018-2019 was 307 students. The District's enrollments have gradually declined in the last five years. The following summarizes fall student enrollments in the past five years:

Fiscal Year	Student Membership	Increase (Decrease) From Prior Year
2018-2019	307.26	19.83
2017-2018	287.43	(9.01)
2016-2017	296.44	(6.19)
2015-2016	302.63	(2.17)
2014-2015	304.80	1.34

Property Taxes levied for Debt Service

The District's debt fund levy, which is used to pay the principal and interest on bond obligations, is based on the taxable valuation of all properties: homestead and non-homestead.

For 2018-2019, the District's debt millage levy was 1.85 mills which generated a levy of $156,973.

Food Service Sales to Students and Adults

The District's food and milk sales to students decreased by approximately $180 to $31,789 from the prior school year. By working to carefully control the cost of food and labor, the administration was able to achieve an excess of revenues from operations over expenditures of $8,095.

GENERAL FUND BUDGET & ACTUAL REVENUES & EXPENDITURES

General Fund Revenue Budget vs. Actual 5-Year History

Fiscal Year	Revenues Original Budget	Revenues Final Budget	Revenues Actual	Revenues Variance Actual & Original Budget	Revenues Variance Actual & Final Budget
2018-2019	$ 2,886,511	$ 3,184,567	$ 3,170,468	9.84 %	(0.44)%
2017-2018	2,801,310	2,910,632	2,885,052	2.99 %	(0.88)%
2016-2017	2,773,292	2,849,646	2,854,733	2.94 %	0.18 %
2015-2016	2,802,279	2,839,821	2,822,080	0.71 %	(0.62)%
2014-2015	2,695,766	2,846,791	2,836,237	5.21 %	(0.37)%

General Fund Expenditures Budget vs. Actual 5-Year History

Fiscal Year	Expenditures Original Budget	Expenditures Final Budget	Expenditures Actual	Expenditures Variance Actual & Original Budget	Expenditures Variance Actual & Final Budget
2018-2019	$ 2,873,044	$ 3,086,789	$ 3,026,202	(5.33)%	1.96 %
2017-2018	2,781,556	2,893,861	2,792,658	(0.40)%	3.50 %
2016-2017	2,776,832	2,857,916	2,848,571	(2.58)%	0.33 %
2015-2016	2,796,045	2,845,542	2,828,710	(1.17)%	0.59 %
2014-2015	2,736,867	2,894,849	2,882,571	(5.32)%	0.42 %

Original vs. Final Budget

The Uniform Budget Act of the State of Michigan requires that the local Board of Education approve the original budget for the upcoming fiscal year prior to July 1, the start of the fiscal year.

As a matter of practice, Mar Lee School amends its budget during the school year. For fiscal year 2018-2019 the budget was amended one time in June of 2019.

Change from Original to Final Budget

General Fund Revenues

The District's budget for revenues changed as follows during the year:

Total Revenues Original Budget	$	2,886,511
Total Revenues Final Budget		3,184,567
Increase (Decrease) in Budgeted Revenues	$	298,056

The District's General Fund actual revenues differed from the final budget by $14,099, a variance of 0.44%.

General Fund Expenditures

The District's budget for expenditures changed as follows during the year:

Total Expenditures Original Budget	$	2,873,044
Total Expenditures Final Budget		3,089,789
Increase (Decrease) in Budgeted Expenditures	$	216,745

The District's General Fund actual expenditures differed from the final budget by $60,587, a variance of 1.96%.

Factors Bearing on the District's Future

It is the District's goal to maintain a General Fund equity balance adequate to allow the District to operate without borrowing for cash flow purposes.

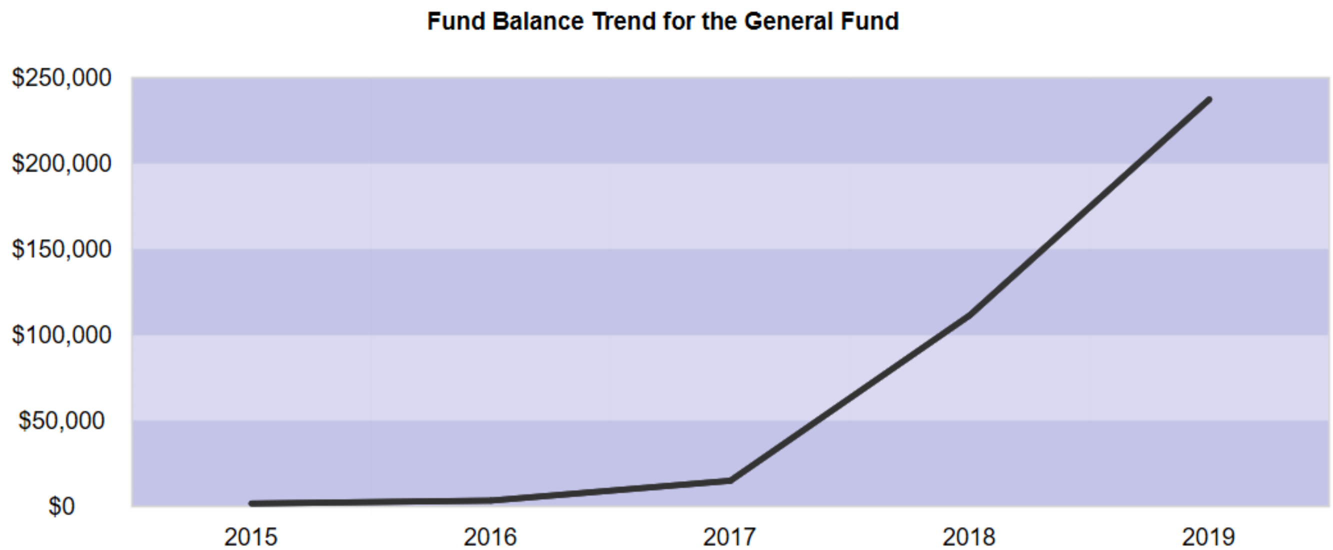
We were able to increase the General Fund's fund balance to $237,273 by by deferring expenditures in areas that have the least impact on education. Increases in student count have also had a positive impact on the General Fund's fund balance.

It is still uncertain when legislation will be passed to stabilize school funding. Dramatic declines in the economic activity in the State have resulted in stagnant funding for public education. In recent years, the District has seen lower student counts because families are moving as parents seek employment in other regions. These factors have caused reduced District revenue.

The General Fund equity remains below the Board's target of a minimum of 10% of expenditures. The School Board and the Superintendent are aware that difficult changes still need to be made and continue the work to boost the General Fund equity to the Board's target.

The Board of Education and staff continue to work together on school improvement plans to make the District more attractive to new residents and to the current residents. The Board is committed through the school improvement process to attract and retain families by offering quality programs and services in the Mar Lee School.

Following is a graph of the fund balance of the General Fund over the last five years.



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, please contact the Mar Lee School Business Office. The address is 21236 H Drive North, Marshall, Michigan 49068. The telephone number is (269) 781-5412.

BASIC FINANCIAL STATEMENTS

Mar Lee School

Statement of Net Position

June 30, 2019

		Governmental Activities
ASSETS		
Cash and investments	$	1,116,109
Receivables, net		1,546
Intergovernmental receivable		438,865
Inventories		2,392
Prepaid expenses		13,612
Capital assets less accumulated depreciation of $1,788,257		2,319,969
Unamortized bond issuance costs		12,790
Total assets		3,905,283
DEFERRED OUTFLOWS OF RESOURCES		
Pension related		1,413,736
OPEB Healthcare related		227,970
Escrow deposit for interest on refunded bonds		2,056
Total deferred outflows of resources		1,643,762
LIABILITIES		
Accounts payable		59,332
Accrued and other liabilities		271,683
Accrued interest		1,848
Unearned revenue		2,081
State aid note payable		700,000
Noncurrent liabilities:		
Due within one year:		
Leases payable		26,641
Bonds payable		140,000
Due in more than one year:		
Leases payable		123,002
Bonds payable		750,000
Compensated absences and severance liability		2,800
Net pension liability		5,059,778
Postemployment benefits liability		1,283,376
Total liabilities		8,420,541
DEFERRED INFLOWS OF RESOURCES		
Pension related		766,433
OPEB Healthcare related		392,685
Total deferred inflows of resources		1,159,118
NET POSITION		
Net investment in capital assets		1,280,326
Restricted for:		
Food service		56,992
Debt service		27,690
Capital outlay		215,081
Unrestricted		(5,610,703)
Total net position	$	(4,030,614)

Mar Lee School

Statement of Activities

For the year ended June 30, 2019

	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Net (Expense) Revenue and Changes in Net Position: Governmental Activities
Functions/Programs:				
Governmental activities:				
Instruction	$ 2,115,115	$ 19,500	$ 725,642	$ (1,369,973)
Support services	990,739	32,230	-	(958,509)
Food service	135,447	43,904	104,156	12,613
Interest on long-term debt	29,807	-	605	(29,202)
Depreciation (unallocated)	119,573	-	-	(119,573)
Total governmental activities	$ 3,390,681	$ 95,634	$ 830,403	(2,464,644)

General revenues:	
Taxes:	
Property taxes, levied for general operations	698,803
Property taxes, levied for debt service	157,474
Property taxes, levied for capital outlay	64,067
State of Michigan aid, unrestricted	1,672,861
Unrestricted investment earnings	10,582
Other revenues	14,769
Total general revenues	2,618,556
Change in net position	153,912
Net position-beginning	(4,184,526)
Net position-ending	$ (4,030,614)

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

Mar Lee School

Governmental Funds

Balance Sheet

June 30, 2019

	General	Sinking Fund	Nonmajor Funds	Total Governmental Funds
ASSETS				
Cash and investments	$ 838,784	$ 223,981	$ 53,344	$ 1,116,109
Accounts receivable, net	1,546	-	-	1,546
Intergovernmental receivable	438,446	-	419	438,865
Due from other funds	9,730	-	33,582	43,312
Inventories	-	-	2,392	2,392
Prepaid items	13,612	-	-	13,612
Total assets	$ 1,302,118	$ 223,981	$ 89,737	$ 1,615,836
LIABILITIES				
Accounts payable	$ 59,332	$ -	$ -	$ 59,332
Accrued liabilities	271,683	-	-	271,683
Due to other funds	33,582	8,900	830	43,312
Unearned revenue	248	-	1,833	2,081
State aid note payable	700,000	-	-	700,000
Total liabilities	1,064,845	8,900	2,663	1,076,408
FUND BALANCES				
Nonspendable:				
Inventories	-	-	2,392	2,392
Prepaid items	13,612	-	-	13,612
Restricted:				
Food service	-	-	56,992	56,992
Debt service	-	-	27,690	27,690
Capital projects	-	215,081	-	215,081
Unassigned	223,661	-	-	223,661
Total fund balances	237,273	215,081	87,074	539,428
Total liabilities and fund balances	$ 1,302,118	$ 223,981	$ 89,737	$ 1,615,836

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

Mar Lee School

Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position

June 30, 2019

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

Total fund balances - governmental funds	$	539,428
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		2,319,969
Unamortized bond issuance costs (before 12-31-2015) are not assets in Governmental Funds		12,790
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds. Balances at June 30, 2019 were:		
Leases payable		(149,642)
Bonds payable		(890,000)
Deferred compensated absences		(2,800)
Net pension liability		(5,059,778)
OPEB liability		(1,283,376)
Deferred outflows and inflows of resources are applicable to future periods and, therefore, are not reported in the funds:		
Deferred outflows of resources:		
Pension related		1,413,736
OPEB Healthcare related		227,970
Escrow deposit for interest on refunded bonds		2,056
Deferred inflows of resources:		
Pension related		(766,433)
OPEB Healthcare related		(392,685)
Interest on long-term debt is accrued as a liability in the district-wide statements, but is not recognized in the governmental funds until due.		(1,849)
Net position of governmental activities	$	(4,030,614)

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

Mar Lee School

Governmental Funds

Statement of Revenues, Expenditures and Changes in Fund Balances

For the year ended June 30, 2019

	General	Sinking Fund	Nonmajor Funds	Total Governmental Funds
REVENUES				
Local sources	$ 755,810	$ 66,759	$ 202,360	$ 1,024,929
State sources	2,088,873	245	3,087	2,092,205
Federal sources	120,568	-	101,674	222,242
Incoming transfers and other transactions	205,217	-	-	205,217
Total revenues	3,170,468	67,004	307,121	3,544,593
EXPENDITURES				
Current:				
Instruction	2,011,769	-	-	2,011,769
Support services	982,540	-	-	982,540
Athletics	27,314	-	-	27,314
Food services	-	-	135,447	135,447
Community activities	4,579	-	-	4,579
Debt service:				
Principal	-	-	140,000	140,000
Interest	-	-	24,630	24,630
Fees	-	-	500	500
Capital outlay	-	59,008	-	59,008
Total expenditures	3,026,202	59,008	300,577	3,385,787
Excess (deficiency) of revenues over expenditures	144,266	7,996	6,544	158,806
OTHER FINANCING SOURCES (USES)				
Operating transfer in	-	-	18,483	18,483
Operating transfer out	(18,483)	-	-	(18,483)
Total other financing sources (uses)	(18,483)	-	18,483	-
Net change in fund balances	125,783	7,996	25,027	158,806
Fund balances-beginning	111,490	207,085	62,047	380,622
Fund balances-ending	$ 237,273	$ 215,081	$ 87,074	$ 539,428

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

Mar Lee School

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities

For the year ended June 30, 2019

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

Net change in fund balances - total governmental funds		$	158,806
Governmental funds report capital outlays as expenditures. However, in the statements of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.			
Depreciation expense	$ (119,573)		
Capital outlay	232,345		
Capital outlay in excess of depreciation expense			112,772
Accrued interest is recorded in the statement of activities when incurred; it is not reported in governmental funds until paid.			205
Repayments of bond principal is an expenditure in the governmental funds, but not in the statement of activities (where it reduces long-term debt).			140,000
Lease payments are expenditures in the governmental funds, but not in the statement of activities (where it reduces long-term debt).			30,579
Amortization of the excess of the amount paid into escrow for payment of refunded bonds, over the carrying value of the bonds, is not recorded on the governmental funds, but is recorded as interest expense on the statement of activities			(659)
Proceeds from issuance of long-term debt is an other financing source in the governmental funds, but not in the statement of activities (where it increases long-term debt)			(180,222)
Governmental funds report pension contributions as expenditures. However, in the statement of activities the pension expense is determined by the pension plan. This is the amount by which the pension expense exceeded the contributions.			(252,003)
Governmental funds report OPEB Healthcare contributions as expenditures. However, in the statement of activities the OPEB expense is determined by the plan. This is the amount by which the OPEB expense exceeded the contributions.			148,657
Gains on refunding long-term debt is recognized in the current year in the funds, but are recognized over the life of the debt in the statement of activities			(4,223)
Change in net position of governmental activities		$	153,912

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

Mar Lee School

Fiduciary Funds

Statement of Net Position

June 30, 2019

	Scholarship	Agency	Total
ASSETS			
Cash and cash equivalents	$ 7,510	$ 41,178	$ 48,688
Due from other funds	-	624	624
Total assets	$ 7,510	$ 41,802	$ 49,312
LIABILITIES			
Scholarships payable	$ 7,510	$ -	$ 7,510
Due to student groups	-	41,802	41,802
Total liabilities	$ 7,510	$ 41,802	$ 49,312

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

Mar Lee School

Fiduciary Funds

Statement of Changes in Net Position

For the year ended June 30, 2019

		Scholarship Fund
Revenue		
Local revenues	$	2,000
Expenditures		
Scholarships awarded		2,000
Excess (deficiency) of revenues over expenditures		-
Net position-beginning		-
Net position-ending	$	-

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Mar Lee School is located in Calhoun County. The School District is governed by an elected seven-member Board of Education. The accounting policies of Mar Lee School (the "School District") conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by the School District.

A. Reporting Entity

The accompanying financial statements have been prepared in accordance with criteria established by the Governmental Accounting Standards Board for determining the various governmental organizations to be included in the reporting entity. These criteria include significant operational financial relationships that determine which of the governmental organizations are a part of the School District's reporting entity, and which organizations are legally separate component units of the School District. The School District has no component units.

B. District-wide and Fund Financial Statements

The district-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities which rely to a significant extent on fees and charges for support. All of the School District's district-wide activities are considered governmental activities.

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

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the district-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. The School District has two fiduciary funds, the Scholarship Fund and Agency Fund.

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

The district-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as 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. The agency fund has no measurement focus but utilizes the accrual basis of accounting for reporting its assets and liabilities.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the School District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

Revenues are recognized in the accounting period in which they become susceptible to accrual; that is, when they become both measurable and available to finance expenditures of the fiscal period. Property taxes, unrestricted State aid, intergovernmental revenue, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the School District.

The School District reports the following major governmental funds:

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 in another fund.

The Debt Service Fund accounts for property taxes and other revenues to be used to pay principal, interest and fees related to long-term debt.

Special Revenue Funds are used to account for the proceeds of specific revenue sources that are restricted to expenditure for specified purposes. The School District's Special Revenue Fund accounts for the School District's food service activity. Any operating deficit generated by this activity is the responsibility of the General Fund.

The Sinking Fund accounts for property tax revenues used to finance additions and improvements to the School District's buildings and facilities.

Additionally, the School District reports the following fund types:

Fiduciary funds are used to account for assets held by the School District in a trustee capacity for individuals or school-related organizations. The Agency Fund is custodial in nature and does not involve measurement of results of operations. The Scholarship Fund accounts for assets held by the School District that are to be used for college scholarships to District alumni.

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

When both restricted and unrestricted resources are available for use, it is the School District's policy to use restricted resources first, then unrestricted resources as they are needed.

D. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance

Bank Deposits and Investments

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

Receivables and Payables

In general, outstanding balances between funds are reported as "due to/from other funds." Activities between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as "advances to/from other funds."

All trade and property tax receivables are shown as net of allowance for uncollectible amounts. The School District considers all receivables to be fully collectible; accordingly, no allowance for uncollectible amounts is recorded. Property taxes are levied on each December 1st on the taxable valuation of property as of the preceding December 31st. Taxes are considered delinquent on February 15th of the following year, at which time penalties and interest are assessed.

Inventories and Prepaid Items

Inventories are valued at cost, on a first-in, first-out basis. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased. United States Department of Agriculture Commodities inventory received by the Food Service Fund are recorded as inventory until used. Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both district-wide and fund financial statements.

Capital Assets

Capital assets, which include land, buildings, equipment, and vehicles, are reported in the applicable governmental activities column in the district-wide financial statements. Capital assets are defined by the School District as assets with an initial, individual cost of more than $10,000. Such assets are recorded at cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's useful life are not capitalized. The School District does not have infrastructure-type assets.

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

Capital Asset Classes	Lives
Buildings and building improvements	20-50 years
Land improvements	20-30 years
Buses and other vehicles	5-10 years
Furniture and equipment	5-10 years

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial 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 pension related items, OPEB healthcare related items, and escrow deposit for interest on refunded bonds.

In addition to liabilities, the statement of financial 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 two items that qualify for reporting in this category. They are pension related items and OPEB healthcare related items.

Compensated Absences

The liability for compensated absences reported in the district-wide statements consists of earned but unused accumulated vacation and sick leave benefits. The liability has been calculated using the vesting method, in which leave amounts for both employees who are currently eligible to receive termination payments and other employees who are expected to become eligible in the future to receive such payments upon termination are included.

Long-term Obligations

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

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 the following: assets and liabilities, disclosure of contingent 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.

Other Financing Sources (Uses)

Transfers of cash between the various School District funds are budgeted but reported separately from revenues and expenditures as operating transfers in or (out), unless they represent temporary advances that are to be repaid, in which case, they are carried as assets and liabilities of the advancing or borrowing funds.

Net Position and Fund Balances

The difference between fund assets and liabilities is "Net Position" on the district-wide and fiduciary fund statements and "Fund Balances" on governmental fund statements. Net Position are classified as "Net investment in capital assets," legally "Restricted" for a specific purpose, or "Unrestricted" and available for appropriation for the general purposes of the fund. In governmental fund financial statements, fund balances are classified as follows:

- Nonspendable--Amounts that cannot be spent either because they are (a) not in spendable form; or (b) legally or contractually required to be maintained intact.
- Restricted--Amounts with constraints placed on the use of resources because they are either (a) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.
- Committed--Amounts that can be used only for specific purposes determined by a formal action by Board of Education resolution, and that remain binding unless removed in the same manner.
- Assigned--Amounts neither restricted nor committed for which a School District has a stated intended use as established by the Board of Education or a body or official to which the Board of Education has delegated the authority to assign amounts for specific purposes.
- Unassigned--Amounts that cannot be properly classified in one of the other four categories. The General Fund is the only fund that reports a positive unassigned fund balance amount. Unassigned balances also include negative balances in the governmental funds reporting resources restricted for specific programs.

Use of Restricted Resources

When an expense is incurred that can be paid using either restricted or unrestricted resources (net position), the School District's policy is to first apply the expense toward restricted resources and then toward unrestricted resources. In governmental funds, the School District's policy is to first apply the expenditure toward restricted fund balance and then to other, less-restrictive classifications - committed and then assigned fund balances before using unassigned fund balances.

Comparative Data/Reclassifications

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

E. Revenues and Expenditures/Expenses

Program Revenues

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

Property Taxes

The School District's 2017 ad valorem tax was levied and collectible on December 1. It is the School District's policy to recognize revenues from the current tax levy in the current year when the proceeds of this levy are budgeted and made available for financing operations. Taxes are considered delinquent on February 15 of the following year, at which time penalties and interest are assessed.

F. Pension

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

G. Postemployment Benefits Other Than Pensions

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

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles and State law for the General and Special Revenue Funds. All annual appropriations lapse at fiscal year end.

The budget document presents information by fund and function. The legal level of budgetary control adopted by the governing body (i.e., the level at which expenditures may not legally exceed appropriations) is the function level. State law requires the 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 budgets were amended in a legally permissible manner.

Encumbrance accounting is employed in governmental funds. Encumbrances (e.g., purchase orders, contracts, etc.) outstanding at year end are reported as reservations of fund balances and do not constitute expenditures or liabilities because the goods or services have not been received as of year end; the commitments will be reappropriated and honored during the subsequent year.

Excess of Expenditures Over Appropriations in Budgeted Funds

For the year ended June 30, 2019, expenditures exceeded appropriations in the following departments (the legal level of budgetary control).

Fund and Activity	Budget Appropriation	Actual Expenditure	Excess Expenditure	% Variance
General Fund:				
Pupil transportation	$ 182,520	$ 183,893	$ 1,373	0.75 %

NOTE 3 - DEPOSITS AND INVESTMENTS

State statutes and the School District's investment policy authorize the School District to make deposits in the accounts of Federally insured banks, credit unions, and savings and loan associations that have an office in Michigan. The School District is allowed to invest in U.S. Treasury or agency obligations, U.S. government repurchase agreements, bankers' acceptances, commercial paper rated prime at the time of purchase that matures not more than 270 days after the date of purchase, mutual funds, and investment pools that are composed of authorized investment vehicles. The School District's deposits are in accordance with statutory authority.

Deposits are carried at cost. The investment policy adopted by the Board in accordance with Public Act 20 of 1943, as amended, has authorized investment in the instruments described in the preceding paragraph. The School District's deposits and investment policy are in accordance with statutory authority.

As of June 30, 2019, the School District had the following deposits.

Chemical Bank	$ 1,247,891
Petty cash	100
Total	$ 1,247,991

At year end, the School District's deposits and investments were reported in the basic financial statements in the following categories:

	Governmental Activities	Fiduciary Funds	Total Primary Government
Cash and investments	$ 1,116,109	$ 48,688	$ 1,164,797

Custodial Credit Risk of Bank Deposits

Custodial credit risk is the risk that in the event of a bank failure, the School District's deposits may not be returned to it. The School District does not have a deposit policy for custodial credit risk of bank deposits. At year end, the bank balance of the School District's deposits is $1,247,991, of which $277,690 is covered by federal depository insurance. The remaining $970,301 is uninsured and uncollateralized.

Interest Rate Risk

The School District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk

State law limits investments in commercial paper, corporate bonds, and mutual bond funds to the top two ratings issued by nationally recognized statistical rating organizations. The School District has no investment policy that would further limit its investment choices.

Fair Value Hierarchy

The School District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure fair value of the assets. Level 1 inputs are quoted prices in an active market for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs.

The School District owns no investments subject to the fair value measurement.

NOTE 4 - CAPITAL ASSETS

Capital asset activity of the School District's governmental activities for the year ended June 30, 2019, was as follows:

Governmental Activities	Beginning Balance	Additions	Disposals	Ending Balance
Capital assets, being depreciated:				
Buildings and building improvements	$ 2,958,639	$ 28,623	$ -	$ 2,987,262
Land improvements	592,525	23,500	-	616,025
School buses	293,894	163,822	125,374	332,342
Furniture and equipment	156,197	16,400	-	172,597
Total capital assets, being depreciated	4,001,255	232,345	125,374	4,108,226
Less accumulated depreciation for:				
Buildings and building improvements	887,876	60,226	-	948,102
Land improvements	527,306	3,898	-	531,204
School buses	247,591	46,725	125,374	168,942
Furniture and equipment	131,285	8,724	-	140,009
Total accumulated depreciation	1,794,058	119,573	125,374	1,788,257
Total capital assets being depreciated, net	2,207,197	112,772	-	2,319,969
Governmental activities capital assets, net	$ 2,207,197	$ 112,772	$ -	$ 2,319,969

Depreciation expense was not charged to specific activities as the School District considers its assets to impact multiple activities and allocation is not practicable.

NOTE 5 - INTERFUND RECEIVABLES AND PAYABLES

The composition of interfund balances as of June 30, 2019, is as follows:

Due to/from other funds:

	Payable Fund			
Receivable Fund	General	Food Service	Sinking Fund	Total
General	$ -	$ 830	$ 8,900	$ 9,730
Food Service	33,582	-	-	33,582
Total	$ 33,582	$ 830	$ 8,900	$ 43,312

The District reports interfund balances between certain funds. The sum of all balances presented in the table above agrees with the sum of 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.

NOTE 6 - INTERFUND TRANSFERS

The composition of interfund transfers as of June 30, 2019, is as follows:

Interfund transfers:

Transfer Out Fund	Transfer In Fund: Food Service
General	18,483

For the year ended June 30, 2019, the General Fund charged the Food Service Fund for indirect costs.

NOTE 7 - NOTES PAYABLE

The School District has $600,000 outstanding at year end of State Aid Anticipation notes. The School District intends to pay this obligation with State Aid received subsequent to year end.

Short-term debt activity for the year ended June 30, 2019, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance
State Aid Note	$ 700,000	$ 700,000	$ 800,000	$ 600,000

NOTE 8 - INTERGOVERNMENTAL RECEIVABLES

Intergovernmental receivables at June 30, 2019, consist of the following:

	Government- wide
State aid	$ 378,621
State aid for food service	419
Federal revenue	2,244
ISD and other	57,581
Total	$ 438,865

Amounts reported as intergovernmental receivables include amounts due from federal, state and local sources for various projects and programs.

No allowance for doubtful accounts is considered necessary.

NOTE 9 - LONG-TERM DEBT

The School District issues bonds, notes, and other contractual commitments to provide for the acquisition and construction of major capital facilities and the acquisition of certain equipment. General Obligation Bonds are direct obligations and pledge the full faith and credit of the School District. Other long-term obligations include compensated absences and purchase contracts.

The following is a summary of long-term debt transactions for the year ended June 30, 2019:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Bonds payable	$ 1,030,000	$ -	$ 140,000	$ 890,000	$ 140,000
Leases payable	-	180,222	30,579	149,643	26,641
Subtotal	1,030,000	180,222	170,579	1,039,643	166,641
Compensated absences	2,800	-	-	2,800	-
Total	$ 1,032,800	$ 180,222	$ 170,579	$ 1,042,443	$ 166,641

The annual requirement to amortize long-term debt outstanding as of June 30, 2019 follows:

Year ended,	Governmental Activities		
June 30,	Principal	Interest	Total
2020	$ 166,641	$ 26,118	$ 192,759
2021	165,824	24,205	190,029
2022	175,986	20,350	196,336
2023	180,517	15,699	196,216
2024	176,590	10,581	187,171
2025	174,085	5,391	179,476
Totals	$ 1,039,643	$ 102,344	$ 1,141,987

Governmental Activities:

Bonds and leases payable at June 30, 2019 were comprised of the following:

Bus Lease with annual payments of $12,484 to $14,756, through July 15, 2024.	$ 71,927
Bus Lease with annual payments of $13,175 to $9,006, through June 15, 2024.	66,236
Copier Lease with annual payments of $4,920, through October 15, 2024.	11,480
$1,365,000 2008 2015 General Obligation, Unlimited Tax, Refunding Bonds, due in annual installments of $110,000 to $160,000 with interest rates from 0.95% to 2.95%	890,000
Total Bonds and Leases Payable	$ 1,039,643

NOTE 10 - RISK MANAGEMENT

The School District is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation), as well as medical benefits provided to employees. The School District has purchased commercial insurance for medical claims and participates in the SET-SEG risk pool for claims relating to workers' compensation, general liability, and property/casualty claims. Settled claims relating to the commercial insurance did not exceed the amount of insurance coverage in any of the past three fiscal years.

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

NOTE 11 - UNEARNED REVENUE

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

	Unavailable	Unearned
General Fund	$ -	$ 248
Food Service Fund	-	1,833
Total	$ -	$ 2,081

NOTE 12 - PENSION PLAN

General Information about the Michigan Public School Employees' Retirement System (MPSERS) pension plan

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.

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

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

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

Contributions

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

Employer contributions to the System are determined on an actuarial basis using the entry age normal actuarial cost method. Under this method, the actuarial present value of the projected benefits of each individual included in the actuarial valuation is allocated on a level basis over the service of the individual between entry age and assumed exit age. The portion of this cost allocated to the current valuation year is called the normal cost. The remainder is called the actuarial accrued liability. Normal cost is funded on a current basis. The unfunded (overfunded) actuarial accrued liability as of the September 30, 2017 valuation will be amortized over a 21-year period beginning October 1, 2017 and ending September 30, 2038.

The schedule below summarizes pension contribution rates in effect for the fiscal year ended September 30, 2018.

Pension Contribution Rates

Benefit Structure	Member	Employer Universities	Employer Non-Universities
Basic	0.0 - 4.0 %	24.47 %	17.89 %
Member Investment Plan	3.0 - 7.0 %	24.47 %	17.89 %
Pension Plus	3.0 - 6.4 %	N/A	16.61 %
Pension Plus 2	6.2 %	N/A	19.74 %
Defined Contribution	0.0 %	19.60 %	13.54 %

Required contributions to the pension plan from the district were $458,319 for the year ended September 30, 2018.

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

At June 30, 2019, the district reported a liability of $5,059,778 for its proportionate share of the MPSERS net pension liability. The net pension liability was measured as of September 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation rolled forward from September 2017. 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, 2018, the district’s proportion was 0.00016831 percent, which was an increase of 4.50953598 percent from its proportion measured as of September 30, 2017.

For the year ended June 30, 2019, the district recognized pension expense of $573,882. At June 30, 2019, the district 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
Differences between expected and actual experience	$ 23,478	$ 36,769
Changes of assumptions	1,171,840	-
Net difference between projected and actual earnings on pension plan investments	-	345,960
Changes in proportion and differences between district contributions and proportionate share of contributions	10,236	206,023
District contributions subsequent to the measurement date	208,182	177,681
Total	$ 1,413,736	$ 766,433

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 ended June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

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

Year Ending September 30	Amount
2019	$ 266,859
2020	180,082
2021	123,288
2022	46,573

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, 2017
Actuarial Cost Method		Entry Age, Normal
Wage Inflation Rate:		2.75%
Investment Rate of Return		
- MIP and Basic Plans		7.05%
- Pension Plus Plan		7.00%
- Pension Plus 2 Plan		6.00%
Projected Salary Increases:		2.75 - 11.55%, including wage inflation at 2.75%
Cost-of-Living Pension Adjustments:		3% Annual Non-Compounded for MIP Members
Mortality:	Retirees:	RP-2014 Male and Female Healthy Annuitant Mortality Tables, scaled by 82% for males and 78% for females and adjusted for mortality improvements using projection scale MP-2017 from 2006.
	Active Members:	P-2014 Male and Female Employee Annuitant Mortality Tables, scaled 100% and adjusted for mortality improvements using projection scale MP-2017 from 2006.

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: 4.5304 for non-university employers.
- Recognition period for assets in years is 5.0000
- Full actuarial assumptions are available in the 2018 MPSERS Comprehensive Annual Financial Report found on the ORS website at www.michigan.gov/orsschools.

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, 2017, are summarized in the following table:

Asset Class	Target Allocation	Long Term Expected Real Rate of Return*
Domestic Equity Pools	28.0 %	5.7 %
Private Equity Pools	18.0	9.2
International Equity	16.0	7.2
Fixed Income Pools	10.5	0.5
Real Estate and Infrastructure Pools	10.0	3.9
Absolute Return Pools	15.5	5.2
Short Term Investment Pools	2.0	-
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, 2018, the annual money-weighted rate of return on pension plan investment, net of pension plan investment expense, was 11.11%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Discount Rate

A discount rate of 7.05% was used to measure the total pension liability (7.0% for the Pension Plus plan, 6.0% for the Pension Plus 2 plan provided through non-university employers only). This discount rate was based on the long-term expected rate of return on pension plan investments of 7.05% (7.0% for the Pension Plus plan, 6.0% for the Pension Plus 2 plan). The projection of cash flows used to determine this discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the 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 7.05% (7.0% for the Hybrid 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:

1% Decrease 6.05% / 6.0% / 5.0%	Current Single Discount Rate Assumption 7.5% / 7.0% / 6.0%	1% Increase 8.05% / 8.0% /7.0%
$ 6,643,097	$ 5,059,778	$ 3,744,296

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

Michigan Public School Employees' Retirement System (MPSERS) Fiduciary Net Position

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

NOTE 13 - POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)

General Information about the Michigan Public School Employees' Retirement System (MPSERS) OPEB plan

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.

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

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

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

Benefits Provided

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

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

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

Contributions

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

Employer OPEB contributions to the System are determined on an actuarial basis using the entry age normal actuarial cost method. Under this method, the actuarial present value of the projected benefits of each individual included in the actuarial valuation is allocated on a level basis over the service of the individual between entry age and assumed exit age. The portion of this cost allocated to the current valuation year is called the normal cost. The remainder is called the actuarial accrued liability. Normal cost is funded on a current basis. The unfunded (overfunded) actuarial accrued liability as of the September 30, 2017 valuation will be amortized over a 21-year period beginning October 1, 2017 and ending September 30, 2038.

The schedule below summarizes OPEB contribution rates in effect for fiscal year 2018.

OPEB Contribution Rates

Benefit Structure	Member	Employer: Universities	Employer: Non-Universities
Premium Subsidy	3.00 %	7.67 %	6.44 %
Personal Healthcare Fund (PHF)	0.00 %	7.42 %	6.13 %

Required contributions to the OPEB plan from the district were $104,798 for the year ended September 30, 2018.

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

At June 30, 2019, the district reported a liability of $1,283,376 for its proportionate share of the MPSERS net OPEB liability. The net OPEB liability was measured as of September 30, 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation rolled forward from September 2017. 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, 2018, the district's proportion was 0.00016145 percent, which was a decrease of 8.56611954 percent from its proportion measured as of October 1, 2017.

For the year ended June 30, 2018, the district recognized OPEB expense of $39,956. At June 30, 2018, the district reported deferred outflows of resources and deferred inflows of resources related to OPEBs from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	$ 238,869
Changes of assumptions	135,910	-
Net difference between projected and actual earnings on OPEB plan investments	-	49,323
Changes in proportion and differences between district contributions and proportionate share of contributions	58	104,493
District contributions subsequent to the measurement date	92,002	-
Total	$ 227,970	$ 392,685

Contributions subsequent to the measurement date reported as deferred outflows of resources related to OPEB resulting from employer contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Deferred (Inflows) and Deferred Outflows of Resources by Year (To Be Recognized in Future OPEB Expenses)

Year Ending September 30		Amount
2019	$	(60,298)
2020		(60,298)
2021		(60,298)
2022		(50,238)
2023		(25,585)

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, 2017
Actuarial Cost Method		Entry Age, Normal
Wage Inflation Rate:		2.75%
Investment Rate of Return:		7.15%
Projected Salary Increases:		2.75 - 11.55%, including wage inflation at 2.75%
Healthcare Cost Trend Rate:		7.5% Year 1 graded to 3.0% Year 12
Mortality:	Retirees:	RP-2014 Male and Female Healthy Annuitant Mortality Tables, scaled by 82% for males and 78% for females and adjusted for mortality improvements using projection scale MP-2017 from 2006.
	Active Members:	RP-2014 Male and Female Employee Annuitant Mortality Tables, scaled 100% and adjusted for mortality improvements using projection scale MP-2017 from 2006.
Other Assumptions:		
Opt-Out Assumptions		21% of eligible participants hired before July 1, 2008 and 30% of those hired after June 30, 2008 are assumed to opt out of the retiree health plan
Survivor Coverage		80% of male retirees and 67% of female retirees are assumed to have 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 OPEB valuations beginning with the September 30, 2017 valuation. The total OPEB 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: [5.6018 for non-university employers or 1.3472 for university employers].
- Recognition period for assets in years is 5.0000
- Full actuarial assumptions are available in the 2018 MPSERS Comprehensive Annual Financial Report found on the ORS website at www.michigan.gov/orsschools.

Long-Term Expected Return on Plan Assets

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the OPEB plan's target asset allocation as of September 30, 2017, are summarized in the following table:

Asset Class	Target Allocation	Long Term Expected Real Rate of Return*
Domestic Equity Pools	28.0 %	5.7 %
Private Equity Pools	18.0	9.2
International Equity	16.0	7.2
Fixed Income Pools	10.5	0.5
Real Estate and Infrastructure Pools	10.0	3.9
Absolute Return Pools	15.5	5.2
Short Term Investment Pools	2.0	-
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, 2018, the annual money-weighted rate of return on OPEB plan investment, net of OPEB plan investment expense, was 10.75%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Discount Rate

A discount rate of 7.15% 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 7.15%. The projection of cash flows used to determine this discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

Sensitivity of the 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 7.15%, 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 higher:

1% Decrease 6.15%	Current Discount Rate 7.15%	1% Increase 8.15%
$ 1,540,666	$ 1,283,376	$ 1,066,963

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 the net OPEB liability would be if it were calculated using a trend rate that is 1-percentage-point lower or 1-percentage-point higher:

1% Decrease	Current Healthcare Cost Trend Rate	1% Increase
$ 1,055,562	$ 1,283,376	$ 1,544,724

OPEB Plan Fiduciary Net Position

Detailed information about the OPEB plan's fiduciary net position is available in the separately issued 2018 MPSERS CAFR, available on the ORS website at www.michigan.gov/orsschools.

NOTE 14 - PROPERTY TAX ABATEMENTS

Act 198, the Plant Rehabilitation and Industrial Development Districts Act, was adopted in the State of Michigan as a means of providing a stimulus in the form of significant tax incentives to industry for the purpose of creating new jobs and maintaining existing jobs. It allows an obsolete property, when replaced or restored, to have its assessed value frozen at the level prior to the improvement for a maximum of twelve years; and new plants to receive a fifty percent exemption from property tax on the taxable value of new real and personal properties, also for a maximum period of twelve years.

Public Act 381 of 1996, the Brownfield Redevelopment Financing Act, was adopted in the State of Michigan as a means to authorize municipalities to create a brownfield redevelopment authority to facilitate the implementation of brownfield plans; to create brownfield redevelopment zones; to promote the revitalization, redevelopment, and reuse of certain property, including, but not limited to, tax reverted, blighted, or functionally obsolete property; to prescribe the powers and duties of brownfield redevelopment authorities; to permit the issuance of bonds and other evidences of indebtedness by an authority; to authorize the acquisition and disposal of certain property; to authorize certain funds; to prescribe certain powers and duties of certain state officers and agencies; and to authorize and permit the use of certain tax increment financing.

No significant abatements have been made that would affect the District.

NOTE 15 - SUBSEQUENT EVENTS

On August 20, 2019, the district issued a State Aid Note in the amount of $580,000. The interest rate is 2.89% and it matures on October 20, 2020.

This page intentionally left blank.

REQUIRED SUPPLEMENTAL INFORMATION

Mar Lee School

General Fund

Budgetary Comparison Schedule

For the year ended June 30, 2019

	Budgeted Amounts			
	Original	Final	Actual	Variance with Final Budget
REVENUES				
Local sources	$ 656,089	$ 753,042	$ 755,810	$ 2,768
State sources	1,948,339	2,087,558	2,088,873	1,315
Federal sources	96,347	132,138	120,568	(11,570)
Incoming transfers and other transactions	185,736	211,829	205,217	(6,612)
Total revenues	2,886,511	3,184,567	3,170,468	(14,099)
EXPENDITURES				
Current:				
Instruction:				
Basic programs	1,554,027	1,607,286	1,576,566	30,720
Added needs	422,898	443,488	435,203	8,285
Support services:				
Pupil services	82,403	139,877	130,821	9,056
Instructional staff services	1,900	8,209	7,254	955
General administration	114,548	116,621	115,966	655
School administration	188,465	186,384	184,606	1,778
Business services	64,380	75,480	73,030	2,450
Operations and maintenance	186,215	228,942	223,172	5,770
Pupil transportation	172,817	182,520	183,893	(1,373)
Central support services	64,500	64,000	63,798	202
Athletics	20,891	27,982	27,314	668
Community activities	-	6,000	4,579	1,421
Total expenditures	2,873,044	3,086,789	3,026,202	60,587
Excess (deficiency) of revenues over expenditures	13,467	97,778	144,266	46,488
OTHER FINANCING SOURCES (USES)				
Operating transfers in	10,000	-	-	-
Operating transfers out	(500)	(18,500)	(18,483)	17
Total other financing sources (uses)	9,500	(18,500)	(18,483)	17
Net change in fund balance	22,967	79,278	125,783	46,505
Fund balance-beginning	111,490	111,490	111,490	-
Fund balance-ending	$ 134,457	$ 190,768	$ 237,273	$ 46,505

Mar Lee School

Required Supplemental Information

June 30, 2019

Schedule of the Reporting Unit's Proportionate Share of the Net Pension Liability

Michigan Public Schools Employees Retirement Plan

Last 10 Fiscal Years (Amounts were determined as of 9/30 of each fiscal year)

	2018	2017	2016	2015	2014
Reporting unit's proportion of net pension liability (%)	0.00016831 %	0.00017590 %	0.00017764 %	0.00018183 %	0.00017400 %
Reporting unit's proportionate share of net pension liability	$ 5,059,778	$ 4,558,257	$ 4,431,913	$ 4,441,151	$ 3,952,420
Reporting unit's covered employee payroll	$ 1,369,202	$ 1,465,654	$ 1,477,549	$ 1,502,099	$ 1,528,176
Reporting unit's proportionate share of net pension liability as a percentage of its covered employee payroll (%)	369.54 %	311.00 %	299.95 %	295.66 %	258.64 %
Plan fiduciary net position as a percentage of total pension liability	62.36 %	64.21 %	63.01 %	62.92 %	66.20 %

Schedule of the Reporting Unit's Contributions

Michigan Public Schools Employees Retirement Plan

Last 10 Fiscal Years (Amounts were determined as of 6/30 of each fiscal year)

	2019	2018	2017	2016	2015
Statutorily required contributions	$ 458,319	$ 412,573	$ 382,702	$ 443,522	$ 332,609
Contributions in relation to statutorily required contributions	458,319	412,573	382,702	443,522	332,609
Contribution deficiency (excess)	-	-	-	-	-
Reporting units covered-employee payroll	$ 1,446,906	$ 1,465,654	$ 1,527,743	$ 1,502,099	$ 1,521,287
Contributions as a percentage of covered-employee payroll	31.68 %	28.15 %	25.05 %	29.53 %	21.86 %

Notes to Required Supplementary Information

Changes of benefit terms: There were no changes of benefit terms during the plan year ending 2018.

Changes of assumptions: 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.

Mar Lee School

Required Supplemental Information

June 30, 2019

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

	2018	2017
District's proportion of net OPEB liability (%)	0.00016145 %	0.00017528 %
District's proportionate share of net OPEB liability	$ 1,283,376	$ 1,552,208
District's covered payroll (OPEB)	$ 1,369,202	$ 1,465,654
District's proportionate share of net OPEB liability as a percentage of its covered employee payroll (%)	93.73 %	105.91 %
Plan fiduciary net position as a percentage of total OPEB liability	42.95 %	36.39 %

Schedule of the District's OPEB Contributions
Michigan Public Schools Employees Retirement Plan
Last 10 Fiscal Years (Amounts were determined as of 6/30 of each fiscal year)

	2019	2018
Statutorily required contributions	$ 104,798	$ 9,042
Contributions in relation to statutorily required contributions	104,798	9,042
Contribution deficiency (excess)	-	-
Reporting units covered-employee payroll	$ 1,446,906	$ 1,465,654
Contributions as a percentage of covered-employee payroll	7.24 %	0.62 %

Notes to Required Supplementary Information

Changes of benefit terms: There were no changes of benefit terms during the plan year ending 2018.

Changes of assumptions: 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, 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.

OTHER SUPPLEMENTAL INFORMATION

Mar Lee School

Nonmajor Governmental Funds

Combining Balance Sheet

June 30, 2019

	Food Service	Debt Service	Total
ASSETS			
Cash and investments	$ 25,654	$ 27,690	$ 53,344
Intergovernmental receivable	419	-	419
Due from other funds	33,582	-	33,582
Inventories	2,392	-	2,392
Total assets	$ 62,047	$ 27,690	$ 89,737
LIABILITIES			
Due to other funds	$ 830	$ -	$ 830
Unearned revenue	1,833	-	1,833
Total liabilities	2,663	-	2,663
FUND BALANCES			
Nonspendable:			
Inventories	2,392	-	2,392
Restricted:			
Food service	56,992	-	56,992
Debt service	-	27,690	27,690
Total fund balances	59,384	27,690	87,074
Total liabilities and fund balances	$ 62,047	27,690	$ 89,737

Mar Lee School

Nonmajor Governmental Funds

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

For the year ended June 30, 2019

	Food Service	Debt Service	Total
REVENUES			
Local sources	$ 44,146	$ 158,214	$ 202,360
State sources	2,482	605	3,087
Federal sources	101,674	-	101,674
Total revenues	148,302	158,819	307,121
EXPENDITURES			
Current:			
Food service	135,447	-	135,447
Debt service:			
Principal	-	140,000	140,000
Interest	-	24,630	24,630
Fees	-	500	500
Total expenditures	135,447	165,130	300,577
Excess (deficiency) of revenues over expenditures	12,855	(6,311)	6,544
OTHER FINANCING SOURCES (USES)			
Transfers in	18,483	-	18,483
Net change in fund balances	31,338	(6,311)	25,027
Fund balances-beginning	28,046	34,001	62,047
Fund balances-ending	$ 59,384	$ 27,690	$ 87,074

This page intentionally left blank.

AUDITORS REPORTS

DOUGLAS WOHLBERG, CPA
Certified Public Accountants

2496 84th Street SW
Byron Center, MI 49315
Phone (616) 583-0094
Fax (866) 569-0725
Email: doug@wohlbergcpa.com

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

To the School Board
Mar Lee School

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 and the major funds, of Mar Lee School, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise Mar Lee School's basic financial statements and have issued our report thereon dated October 22, 2019.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Mar Lee School'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 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 item 2018-01.

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* (continued)

Mar Lee School's Response to Findings

Mar Lee School's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Mar Lee School's 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.

Very truly yours,

Douglas Wohlberg

Douglas Wohlberg, CPA
Byron Center, Michigan
October 22, 2019

DOUGLAS WOHLBERG, CPA
Certified Public Accountants

2496 84th Street SW
Byron Center, MI 49315
Phone (616) 583-0094
Fax (866) 569-0725
Email: doug@wohlbergcpa.com

October 22, 2019

To the Board of Education
Mar Lee School

We have audited the financial statements of the governmental activities and the major fund information of Mar Lee School for the year ended June 30, 2019. Professional standards require that we provide you with information about our responsibilities under generally accepted 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 October 2, 2019. 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 Mar Lee School 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 the year. We noted no transactions entered into by the governmental unit 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 estimate affecting the district's financial statements was:

Estimates have been used to calculate the net pension and net OPEB liabilities. We evaluated the key factors and assumptions used to develop the net pension and net OPEB liabilities in determining that they are reasonable in relation to the financial statements taken as a whole.

Management's estimates of the useful lives of capital assets which is based on previous history, management's estimate of the accrued compensated absences is based on current contracts, rates and policies regarding payment of these benefits, and the net pension liability which is based on an actuarial valuation of the entire Michigan Public School Employees Retirement System. We evaluated key factors and assumptions used to develop the estimates in determining that they are 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 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.

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 October 22, 2019.

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 governmental unit’s auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

<u>Other Matters</u>

We applied certain limited procedures to the budgetary comparison schedules, Schedule of the District's Proportionate share of the Net Pension Liability, Schedule of the District's Contributions, the related Notes to Required Supplementary Information, Schedule of the District's Proportionate Share of the Net OPEB Liability, the Schedule of the District's OPEB Contributions, and the related Notes to Required Supplementary Information, which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management’s responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were engaged to report on the combining statements, 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.

<u>Restriction on Use</u>

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

Very truly yours,

Douglas Wohlberg

Douglas Wohlberg, CPA
Byron Center, Michigan

NONCOMPLIANCE WITH STATE STATUTES

Finding 2018-01
Expenditures in Excess of Appropriations

Condition: The School District's General Appropriations Act (budget) provided for expenditures of the General and Food Service Funds to be controlled to the activity level by the School District. As detailed below, actual expenditures exceeded the School District's approved budget allocations.

During the fiscal year ended June 30, 2019, expenditures were incurred in excess of amounts appropriated follows:

Fund and Activity	Budget Appropriation	Actual Expenditure	Excess Expenditure	% Variance
General Fund:				
Pupil transportation	$ 182,520	$ 183,893	$ 1,373	0.75 %

Criteria: The expenditure of funds in excess of appropriations is contrary to the provisions of Section 17 of Public Act 2 of 1968.

Effect: The School District is in noncompliance with State statute. Unavailable funds continued to be spent despite the lack of budgeted funds to support the expenses.

*Recommendatio*n: We recommend that the School District develop budgetary control procedures which will ensure that expenditures do not exceed amounts authorized in the General Appropriations Act or amendments thereof.

Management's Response-Corrective Action Plan: The School District will more frequently review available funds and amend the budgets.