

**NORTH DICKINSON COUNTY**  
**SCHOOL DISTRICT**

**REPORT ON FINANCIAL STATEMENTS**  
(with additional information)

For the Year Ended June 30, 2020

**NORTH DICKINSON COUNTY SCHOOL DISTRICT**

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**NORTH DICKINSON COUNTY SCHOOL DISTRICT**

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Education  
North Dickinson County School District  
Felch, Michigan

### **Report on the Financial Statements**

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

#### ***Management's Responsibility for the Financial Statements***

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

#### ***Auditor's Responsibility***

Our responsibility is to express an opinion 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 of 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 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, the aggregate remaining fund information, and each fiduciary fund type of the North Dickinson County School District as of June 30, 2020, and the respective changes in financial position and cash flows, thereof 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 management's discussion and analysis, budgetary comparison schedules, and pension related schedules as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### ***Other Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the North Dickinson County School District's basic financial statements. The Combining statements as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. The supplementary information is the responsibility of management and was derived from and relates 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 financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

## **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our reports dated November \_\_, 2020 on our consideration of North Dickinson County School District's internal control and 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 the 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 North Dickinson County School District's internal control over financial reporting and compliance.

ANDERSON, TACKMAN & COMPANY, PLC  
Certified Public Accountants  
Iron Mountain, Michigan

November \_\_, 2020

North Dickinson County School District  
Management Discussion and Analysis  
For the Fiscal Year Ended June 30, 2020

North Dickinson County School District’s Management Discussion and Analysis is intended to assist the reader to focus on significant financial issues, provide an overview of the District’s financial activity, and identify changes in the District’s financial position including its ability to address the next and subsequent years’ challenges. It also identifies any material deviations from the financial plan and identifies individual fund issues or concerns. This is a requirement of the Governmental Accounting Standards Board (GASB) Statement No. 34 (GASB 34) “Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments” as amended by GASB Statement No. 63 “Financial Reporting of Deferred Outflow of Resources, Deferred Inflows of Resources, and Net Position”, GASB Statement No. 65 “Items Previously Reported as Assets and Liabilities”, and GASB Statement No. 68 and 75 Accounting and Financial Reporting for Pensions and Other Post-Employment Benefits, and GASB Statement No. 71 “Pension Transition for Contributions Made Subsequent to the Measurement Date – An Amendment of GASB Statement No. 68” and is intended to provide the financial results for the fiscal year ending June 30, 2020.

***Management’s Discussion and Analysis (MD&A)***  
(Required Supplemental Information)

Basic Financial Statements

***District-Wide Financial Statements***

***Fund Financial Statements***

Notes to the Basic Financial Statements

***(Required Supplemental Information)***  
(other than MD&A expanded)

As mentioned, GASB 34 requires the presentation of two basic types of financial statements: District-Wide Financial Statements and Fund Financial Statements.

**District-Wide Financial Statements**

The District-Wide Financial Statements provide a perspective of the District as a whole. These financial statements use the full accrual basis of accounting similar to private sector companies. There are two District-Wide Financial Statements: the Statement of Net Position and the Statement of Activities.

The Statement of Net Position combines and consolidates governmental funds: current financial resources (short-term available resources) with capital assets and long-term obligations, regardless of their current availability.

Consistent with the full accrual basis method of accounting, the Statement of Activities accounts for current year revenues and expenses regardless of when cash is received or paid. The intent of this statement is to summarize and simplify the user’s analysis of the costs of various District services.

North Dickinson County School District  
Management Discussion and Analysis  
For the Fiscal Year Ended June 30, 2020

**Fund Financial Statements**

The Fund Financial Statements are similar to financial presentations of years past, but the new focus is on the District's Major Funds rather than fund types as in the past. The two Account Groups: General Fixed Assets and General Long-Term Debt are no longer reported. Consistent with previous years, the fund statements are reported using the modified accrual method of accounts. Under this basis of accounting, revenues are recorded when received, except when they are measurable and available and therefore represent resources that may be appropriated. Expenditures are accounted for in the period those goods and services are used in school programs. In addition, capital asset purchases are expensed and not recorded as an asset. Debt payments are recorded as expenditures in the current year, and future debt obligations are not recorded.

Fund types include the General Fund, School Service Fund, Debt Retirement Fund, Capital Projects Funds and Fiduciary Fund. The General Fund is used primarily to account for the general education requirements of the District. Its revenues are derived from property taxes, state and federal distributions and grants, and other intergovernmental revenues. The School Service Fund is comprised of Athletic Activities and Food Service. The Debt Retirement Fund is used to record the funding and payment of principal and interest on bonded debt. The Capital Projects Fund is used to account for financial resources to be used for the acquisition, construction, or improvements of major capital facilities. The Fiduciary Funds account for assets held by the District in a trustee capacity, or as an agent for various student groups and related activities.

	<u>June 30, 2020</u>	<i>(As reported)</i> <u>June 30, 2019</u>
<b>Assets:</b>		
Current assets	\$ 1,265,000	\$ 1,022,026
Net capital assets	<u>3,560,335</u>	<u>3,796,639</u>
<b>Total Assets</b>	<u>4,825,335</u>	<u>4,818,665</u>
<b>Deferred Outflows:</b>	<u>1,746,767</u>	<u>1,776,903</u>
<b>Liabilities:</b>		
Current liabilities	366,990	158,607
Long term liabilities	<u>5,763,416</u>	<u>5,664,601</u>
<b>Total Liabilities</b>	<u>6,130,406</u>	<u>5,823,208</u>
<b>Deferred Inflows:</b>	<u>615,691</u>	<u>615,355</u>
<b>Net Position:</b>		
Net investment in capital assets	3,344,685	3,574,033
Restricted for sinking fund	720,792	496,783
Restricted for debt service	208,038	12,902
Restricted for food service	26,695	9,971
Unrestricted	<u>(4,474,205)</u>	<u>(3,936,684)</u>
<b>Total Net Position</b>	<u>\$ (173,995)</u>	<u>\$ 157,005</u>

North Dickinson County School District  
Management Discussion and Analysis  
For the Fiscal Year Ended June 30, 2020

**Financial Analysis of the District as a Whole**

Summary of Net Position

The School District's net position was \$(173,995) at June 30, 2020, compared to \$157,005 at June 30, 2019. Total net position can be separated into five categories: net investment in capital assets, restricted for sinking fund, restricted for capital projects, restricted for debt service, restricted for food service, and unrestricted.

Net capital assets are a combination of funds available for capital assets less accumulated depreciation and related debt. The original cost of capital assets was \$10,209,449 at June 30, 2020, and \$10,194,774 at June 30, 2019. The accumulated depreciation is the accumulation of depreciation expense since acquisition. In accordance with Generally Accepted Accounting Principles (GAAP), depreciation expense is recorded on the original cost of the asset, less any estimated salvage value, expensed over the estimated use life of the assets. Total accumulated depreciation was \$6,649,114 at June 30, 2020, and \$6,398,135 at June 30, 2019. Total debt related to capital assets was \$215,650 at June 30, 2020, and \$222,606 at June 30, 2019.

Restricted net position are funds, by their nature, restricted for use by laws or regulations by the State of Michigan. These funds totaled \$955,525 at June 30, 2020, compared to \$519,656 at June 30, 2019.

The remaining balance in unrestricted net position represents a balance of \$(4,474,205), at June 30, 2020 compared to \$(3,936,684) as originally reported at June 30, 2019.

The results of this year's operations for the School District as a whole are reported in the Statement of Activities. A summary of the District-Wide results of operations for the years ended June 30, 2020 and June 30, 2019 is as follows:

North Dickinson County School District  
Management Discussion and Analysis  
For the Fiscal Year Ended June 30, 2020

	June 30, 2020	(As reported) June 30, 2019
Program revenue		
Charges for services-local	\$ 81,986	\$ 94,595
Operating grants - federal state local	243,620	264,450
Total program revenue	325,606	359,045
General revenue		
Property taxes levied	1,407,295	1,363,181
Unrestricted investment earnings	11,256	13,519
State of Michigan aid, unrestricted	1,241,627	1,278,345
Other- federal, state and local	24,444	29,887
Total general revenue	2,684,622	2,684,932
Total revenue	3,010,228	3,043,977
Expenses		
Instruction	1,733,051	1,627,427
Support services	1,089,845	1,013,846
School service	266,824	255,652
Interest on long term debt	250,979	291,806
Depreciation (unallocated)	529	1,707
Total expenses	3,341,228	3,190,438
Change in net position	(331,000)	(146,461)
Net Position July 1	157,005	303,466
Net Position June 30	\$ (173,995)	\$ 157,005

**GOVERNMENTAL FUNDS FINANCIAL HIGHLIGHTS**

The overall condition of the governmental funds has increased during June 30, 2020. In the General Fund, the excess of revenues over expenditures totaled \$8,702 during fiscal year June 30, 2020. The primary factor that contributed to this was an decrease in expenditures.

North Dickinson County School District  
 Management Discussion and Analysis  
 For the Fiscal Year Ended June 30, 2020

**MAJOR GOVERNMENTAL FUNDS BUDGETING AND OPERATING HIGHLIGHTS**

The District’s budgets are prepared according to Michigan law and are initially adopted prior to July 1 of each year, before student enrollment counts are known. Therefore, it is expected that there will be changes between the initial budget and subsequent budgets, as actual enrollments are known. The most significant fund budgeted is the General Fund operations. The General Fund operating budget was amended twice during fiscal year 2020.

**General Fund Operations**

In the General Fund operations, the actual revenue for fiscal year June 30, 2020 was \$2,596,703. This is below the original budget of \$2,614,949, for a variance of 0.60%, and below the final budget of \$2,677,099, for a variance of 2.40%. The actual expenditures of the general fund for fiscal year June 30, 2020 were \$2,636,650. This is above the original budget of \$2,603,107, for a variance of 1.2%, and below the final budget of \$2,643,643 a variance of .20%.

The variances between the actual revenues and the original and final revenue budgets are due primarily to the following:

- A State Aid reduction of \$44,424 (\$175/student) on the last state aid payment.

The variances between the actual expenditures and the original and final expenditure budgets are due primarily to the following:

- Unexpected expenditures.

**GOVERNMENTAL FUND EXPENDITURES**

Below is a summary of the governmental fund expenditures and their percentages as they relate to total governmental funds:

	Total Expenditures June 30, 2020	Percentage	Total Expenditures June 30, 2019	Percentage
General Fund	\$ 2,636,650	94.99%	\$ 2,663,658	91.27%
Other Funds	<u>138,991</u>	<u>5.01%</u>	<u>254,844</u>	<u>8.73%</u>
Total Expenditures	<u><u>\$ 2,775,641</u></u>	<u><u>100.00%</u></u>	<u><u>\$ 2,918,502</u></u>	<u><u>100.00%</u></u>

North Dickinson County School District  
Management Discussion and Analysis  
For the Fiscal Year Ended June 30, 2020

**TOTAL REVENUES**

Below is a summary of the governmental fund revenues and their percentages as they relate to governmental funds.

	Total Revenue <u>June 30, 2020</u>	<u>Percentage</u>	Total Revenue <u>June 30, 2019</u>	<u>Percentage</u>
State of Michigan Aid unrestricted	\$ 1,241,627	41.25%	\$ 1,278,345	42.00%
Prop taxes general operation	1,175,932	39.06%	1,155,926	37.97%
Operating grants federal state local	243,620	8.09%	264,450	8.69%
Prop taxes debt retirement	-	0.00%	94,608	3.11%
Prop taxes sinking fund	231,363	7.69%	112,647	3.70%
Charges for services - local	81,986	2.72%	94,595	3.11%
Other federal, state and local	35,700	1.19%	43,406	1.43%
	<u>\$ 3,010,228</u>	<u>100.00%</u>	<u>\$ 3,043,977</u>	<u>100.00%</u>

**Unrestricted State Aid**

The District is predominately funded by State Aid based on a blended count formula that the State of Michigan utilizes. State revenues to the District have decreased as a result of decreased enrollment from the previous three years. State aid membership was 253.85 for fiscal year June 30, 2020 and 260.79 for fiscal year June 30, 2019.

**Property Taxes**

The District levies 18 mills of property taxes on all Non-Homestead property located within the District for General Fund operations. The levy is assessed on the taxable value of the property. The increase in taxable value is limited to the lesser of the inflation rate of the prior year or 5%. When a property is sold, the taxable valuation of the sold property is readjusted to the State Equalized Value, which is approximately 50% of market value.

The District levied 1.00 mills of property taxes on all classes of property located within the District for sinking fund purchases of the District.

**Operating Grants Federal, State, and Local**

The primary sources are the Federal Title One Program, the State funded At Risk Program, and the Special Education Obligation funds required under the Headlee Amendment, State of Michigan legislation. Both Title One and At-Risk Programs assist students who are deemed to be at risk in the instruction process. For the 2020-19 fiscal year, the District has utilized \$74,992 and \$102,042 for the Title One and State At Risk Programs. For fiscal year 2020 the State, under the Headlee amendment, is obligated to remit to the District \$46,279.

North Dickinson County School District  
 Management Discussion and Analysis  
 For the Fiscal Year Ended June 30, 2020

**ENROLLMENT**

The District’s 2019-20 fall enrollment totaled 253. This is an increase of 2 students from the previous year. Over the last ten years the district has decreased exactly 72 students, an average of 7.2 per year. North Dickinson County School District is located in Michigan’s Upper Peninsula. The area is currently experiencing an economic downturn. Some employers in the area have closed their doors, with others reducing their labor force. As a result of this, families have moved out of the area. In addition, the county is experiencing a declining birth rate from previous years.

Enrollment changes over the last ten years can be illustrated as follows:

<u>Fiscal</u> <u>Year</u>	<u>Student</u> <u>Enrollment</u>	Increase (Decrease) in Student <u>Enrollment</u>
2020	253	2
2019	251	(1)
2018	252	(27)
2017	279	1
2016	278	(6)
2015	284	(12)
2014	296	(6)
2013	302	(4)
2012	306	(10)
2011	316	(9)

Student enrollment is important to the financial health of the District because state funding is based on a per pupil formula.

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital Assets**

At the end of the fiscal year 2020, the District had \$10,209,449 invested in land and building, furniture and equipment, vehicles and buses compared to \$10,194,774 at June 30, 2019. Of this amount, \$6,649,114 and \$6,398,135 has been depreciated at June 30, 2020 and June 30, 2019 respectively. Net book value totaled \$3,560,335 at June 30, 2020, and \$3,796,639 at June 30, 2019. Due to budget constraints related to declining enrollment and the State of Michigan financial status, the ability to maintain these buildings is becoming increasingly difficult. The District maintains a \$1,000 threshold for capitalization of assets.

North Dickinson County School District  
Management Discussion and Analysis  
For the Fiscal Year Ended June 30, 2020

**Outstanding Debt at Year End**

As of June 30, 2020, the District had \$200,000 in bonds outstanding, compared to \$200,000 at June 30, 2019. The District collects bonded debt across the total property values. Therefore, total growth in valuation is an important element in determining the District's ability to retire bonded debt and/or to incur additional bond debt.

For more detailed information regarding capital assets and debt administration, please review the Notes to the Basic Financial Statements located in the financial section of this report.

**CONTACTING THE SCHOOL DISTRICT'S FINANCIAL MANAGEMENT**

This report is designed to give an overview of the financial conditions of the North Dickinson County School District. For additional detailed financial information contact:

Mike Roell  
Business Manager  
North Dickinson County School District  
W6588 M-69  
Felch, MI 49831  
Office Telephone (906) 542-9281  
Fax Telephone (906) 542-6950

**NORTH DICKINSON COUNTY SCHOOL DISTRICT**

**STATEMENT OF NET POSITION**

June 30, 2020

	<u>Governmental Activities</u>
ASSETS:	
Current assets:	
Cash and equivalents	\$ 672,526
Investments	228,297
Accounts receivable	5,115
Other asset	169,761
Inventory	2,550
Due from other governments	<u>186,751</u>
Total current assets	<u>1,265,000</u>
Noncurrent assets:	
Capital assets	10,209,449
Accumulated depreciation	<u>(6,649,114)</u>
Total noncurrent assets	<u>3,560,335</u>
TOTAL ASSETS	<u>4,825,335</u>
DEFERRED OUTFLOWS:	
Pension outflows	1,396,629
Other post employment benefit outflow	<u>350,138</u>
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>1,746,767</u>
LIABILITIES:	
Current liabilities:	
Accounts payable	37,067
Accrued interest	7
Accrued expenses	122,960
Note payable	6,956
Bonds payable	<u>200,000</u>
Total current liabilities	<u>366,990</u>
Noncurrent liabilities:	
Notes payable	8,694
Net pension liability	4,745,813
OPEB liability	<u>1,008,909</u>
Total noncurrent liabilities	<u>5,763,416</u>
TOTAL LIABILITIES	<u>6,130,406</u>
DEFERRED INFLOWS:	
Pension inflows	187,229
Other post employment benefits inflows	<u>428,462</u>
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>615,691</u>
NET POSITION:	
Net investment in capital assets	3,344,685
Restricted	955,525
Unrestricted	<u>(4,474,205)</u>
TOTAL NET POSITION	<u>\$ (173,995)</u>

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

**NORTH DICKINSON COUNTY SCHOOL DISTRICT**

**STATEMENT OF ACTIVITIES**

For the Year Ended June 30, 2020

<u>FUNCTIONS/PROGRAMS</u>	<u>Expenses</u>	<u>Program Revenue</u>			<u>Net (Expense) Revenue and Change in Net Position Primary Government</u>
		<u>Fees, Fines and Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>
PRIMARY GOVERNMENT:					
Governmental Activities:					
Instruction	\$ (1,733,051)	\$ -	\$ 94,646	\$ -	\$ (1,638,405)
Support	(1,089,845)	11,580	80,633	-	(997,632)
School service	(266,824)	70,406	68,341	-	(128,077)
Depreciation	(250,979)	-	-	-	(250,979)
Debt interest, fees and expenses	(529)	-	-	-	(529)
<b>15 TOTAL PRIMARY GOVERNMENT</b>	<b><u>(3,341,228)</u></b>	<b><u>81,986</u></b>	<b><u>243,620</u></b>	<b><u>-</u></b>	<b><u>(3,015,622)</u></b>
General revenues:					
Property taxes				\$	1,407,295
State revenue sharing					1,241,627
Unrestricted investment earnings					11,256
Other					24,444
Total general revenues and transfers					<u>2,684,622</u>
Change in net position					(331,000)
Net position, beginning of year					<u>157,005</u>
Net position, end of year				\$	<u><u>(173,995)</u></u>

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

**NORTH DICKINSON COUNTY SCHOOL DISTRICT**

**BALANCE SHEET  
GOVERNMENTAL FUNDS**

June 30, 2020

	General	Sinking Fund #255211	Nonmajor Governmental Funds	Total Governmental Funds
<b>ASSETS:</b>				
Cash and equivalents	\$ 110,683	\$ 547,031	\$ 14,812	\$ 672,526
Investments	228,297	-		228,297
Accounts receivable	-	4,008	1,107	5,115
Other asset	-	169,761	-	169,761
Inventory	-	-	2,550	2,550
Due from other funds	-	-	13,024	13,024
Due from other governments	186,751	-	-	186,751
	<u>525,731</u>	<u>720,800</u>	<u>31,493</u>	<u>1,278,024</u>
<b>TOTAL ASSETS</b>				
<b>LIABILITIES:</b>				
Accounts payable	37,060	8	-	37,068
Accrued expenses	118,161	-	4,798	122,959
Due to other funds	13,024	-	-	13,024
	<u>168,245</u>	<u>8</u>	<u>4,798</u>	<u>173,051</u>
<b>TOTAL LIABILITIES</b>				
<b>FUND BALANCE AND OTHER CREDITS:</b>				
Fund balances:				
Restricted	213,672	720,792	24,145	958,609
Nonspendable	-	-	2,550	2,550
Unassigned	143,814	-	-	143,814
	<u>357,486</u>	<u>720,792</u>	<u>26,695</u>	<u>1,104,973</u>
<b>TOTAL FUND BALANCE AND OTHER CREDITS</b>				
<b>TOTAL LIABILITIES, FUND BALANCE AND OTHER</b>	<u>\$ 525,731</u>	<u>\$ 720,800</u>	<u>\$ 31,493</u>	<u>\$ 1,278,024</u>

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

**NORTH DICKINSON COUNTY SCHOOL DISTRICT**

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE STATEMENT OF NET POSITION**

For the Year Ended June 30, 2020

Total fund balances for governmental funds \$ 1,104,973

Total net position reported for governmental activities in the statement of net position is different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. Those assets consist of:

Land and improvements	\$ 1,130,761
Equipment	2,073,818
Buildings and improvements	6,829,597
Construction in progress	<u>175,273</u>
Total capital assets	10,209,449
Accumulated depreciation	<u>(6,649,114)</u>

Net capital assets 3,560,335

Deferred outflows of resources and deferred inflows of resources related to pensions are not financial resources and therefore are not reported in the funds. Those resources consist of:

Deferred outflows of pension and OPEB resources	\$ 1,746,767
Deferred inflows of pension and OPEB resources	<u>(615,691)</u>

Net deferred pension sources 1,131,076

Long-term liabilities applicable to the District's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due. All liabilities, both current and long-term, are reported in the statement of net position.

Accrued interest on long-term debt	\$ (7)
Bonds payable	(200,000)
Net pension liability	(4,745,813)
Net OPEB liability	(1,008,909)
Note payable	<u>(15,650)</u>
	<u>(5,970,379)</u>

Total net position of governmental activities \$ (173,995)

**NORTH DICKINSON COUNTY SCHOOL DISTRICT**

**STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE  
GOVERNMENTAL FUNDS**

For the Year Ended June 30, 2020

	<u>General</u>	<u>Sinking Fund #255211</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES:				
Local sources	\$ 1,255,597	\$ 239,528	\$ 27,539	\$ 1,522,664
State sources	1,235,411	-	6,216	1,241,627
Federal sources	105,695	-	68,341	174,036
TOTAL REVENUES	<u>2,596,703</u>	<u>239,528</u>	<u>102,096</u>	<u>2,938,327</u>
EXPENDITURES:				
Instruction	1,515,257	-	-	1,515,257
Supporting services	994,471	15,519	-	1,009,990
Debt service	7,488	-	-	7,488
School service	119,434	-	123,472	242,906
TOTAL EXPENDITURES	<u>2,636,650</u>	<u>15,519</u>	<u>123,472</u>	<u>2,775,641</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(39,947)</u>	<u>224,009</u>	<u>(21,376)</u>	<u>162,686</u>
OTHER FINANCING SOURCES (USES):				
Other sources	4,942	-	-	4,942
Payments received from other governmental units	66,960	-	-	66,960
Transfers in	95,148	-	23,253	118,401
Transfers out	<u>(118,401)</u>	<u>-</u>	<u>-</u>	<u>(118,401)</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>48,649</u>	<u>-</u>	<u>23,253</u>	<u>71,902</u>
EXCESS OF EXPENDITURES AND OTHER FINANCING USES OVER REVENUES AND OTHER FINANCING SOURCES	8,702	224,009	1,877	234,588
FUND BALANCE, JULY 1	<u>348,784</u>	<u>496,783</u>	<u>24,818</u>	<u>870,385</u>
FUND BALANCE, JUNE 30	<u>\$ 357,486</u>	<u>\$ 720,792</u>	<u>\$ 26,695</u>	<u>\$ 1,104,973</u>

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

**NORTH DICKINSON COUNTY SCHOOL DISTRICT**

**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, 2020

Net changes in fund balances - total governmental funds \$ 234,588

The change in net position reported for governmental activities in the statement of activities is different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is capitalized and the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation expense \$(250,979) exceeded capital outlay \$14,675. (236,304)

The change in net pension and OPEB liability is not recorded in the governmental funds. However, in the statement of activities this change is recognized as an adjustment to instruction, support and school service expenses as it relates to these categories. (336,243)

Bond and loan proceeds are reported as financing sources in governmental funds and thus contribute to the change in fund balance. In the statement of net position, however, issuing debt increases long-term liabilities and does not affect the statement of activities. Similarly, repayment of principal is an expenditure in the governmental funds but reduces the liability in the statement of net position.

Principal repayments:

Notes	<u>6,956</u>	<u>6,956</u>
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Under the modified accrual basis of accounting used in governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. In the statement of activities, however, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. In addition, interest on long-term debt is not recognized under the modified accrual basis of accounting until due, rather than as it accrues. This adjustment combines the following net changes:

Accrued interest	<u>3</u>	<u>3</u>
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Changes in net position of governmental activities		<u>\$ (331,000)</u>
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**NORTH DICKINSON COUNTY SCHOOL DISTRICT**

**STATEMENT OF FIDUCIARY NET POSITION  
FIDUCIARY FUNDS**

June 30, 2020

	<u>Agency Fund</u>
	<u>Student Activity</u>
ASSETS:	
Cash and equivalents	<u>\$ 57,731</u>
LIABILITIES:	
Due to student groups	<u>57,731</u>
NET POSITION:	<u><u>\$ -</u></u>

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

# NORTH DICKINSON COUNTY SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

For the Year Ended June 30, 2020

### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying basic financial statements of the North Dickinson County School District (“District”) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units, as prescribed by the Governmental Accounting Standards Board (GASB). GASB is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The significant accounting principles and policies utilized by the District are described below.

In June 1999, the GASB issued Statement No. 34, *Basic Financial Statements and Management’s Discussion and Analysis for State and Local Governments*. Some of the significant changes in the statement include the following:

An Administration’s Discussion and Analysis section providing an analysis of the District’s overall financial position and results of operations.

Financial statements prepared using full accrual accounting for all the District’s activities.

A change in the fund financial statements to focus on the major funds.

Effective for periods beginning after December 15, 2011, GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, effective for periods after December 15, 2012, GASB 65, *Items Previously Reported as Assets and Liabilities*, amends Statement No. 34, *Basic Financial Statements and Management’s Discussion and Analysis for State and Local Governments*, and effective for periods beginning after June 15, 2014, GASB Statement No. 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27*, GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*, and effective for periods after June 15, 2019, GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits other than Pensions*. Statements No. 63 and No. 65 establish standards for reporting deferred outflows of resources, deferred inflows of resources, and net position in a statement of financial position and related disclosures. Statements No. 68 and No. 71 establish standards for measuring and recognizing liabilities, deferred outflows of resources, and deferred inflows of resources, and expense/expenditures for defined benefit pension plans.

These and other changes are reflected in the accompanying financial statements (including notes to financial statements). The District has elected to implement the provisions of the Statement.

#### A. Reporting Entity

In evaluating how to define the District, for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in GASB Statement #14, *The Financial Reporting Entity* and as amended by GASB Statement #61.

The criteria established by the Governmental Accounting Standards Board for determining the various governmental organizations to be included in the reporting entity’s financial statements include budget adoption, taxing authority, funding, appointment of the respective governing board, and scope of public service.

**NORTH DICKINSON COUNTY SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

For the Year Ended June 30, 2020

(Continued)

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Based on the foregoing criteria, it has been determined that there are no component units of the North Dickinson County School District.

**B. Basic Financial Statements – Government-Wide Statements**

The District's basic financial statements include both government-wide (reporting the District as a whole) and fund financial statements (reporting the District's major funds). The government-wide financial statements categorize primary activities as either governmental or business type. All of the District's activities are classified as governmental activities except for fiduciary activities.

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

The District first utilizes restricted resources to finance qualifying activities.

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

The net costs (by function) are normally covered by general revenue (property taxes, state sources and federal sources, interest income, etc.).

The District does not allocate indirect costs. In creating the government-wide financial statements the District has eliminated interfund transactions.

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

**C. Basic Financial Statements – Fund Financial Statements**

The accounts of the District are organized on the basis of funds and account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance, revenue and expenditures. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The various funds are grouped into generic fund types in two broad fund categories as follows:

**NORTH DICKINSON COUNTY SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

For the Year Ended June 30, 2020

(Continued)

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

C. Basic Financial Statements – Fund Financial Statements (Continued)

Governmental Funds – Governmental funds are used to account for the acquisition, use and balances of expendable financial resources and the related current liabilities, except for those accounted for in fiduciary funds. Governmental fund types use the flow of current financial resources measurement focus and the modified accrual basis of accounting.

General Fund – The General Fund is the primary operating fund of the District. It is used to account for all financial transactions of the District, except those required to be accounted for in other funds.

Special Revenue Funds – Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than expendable trusts or capital projects) that are legally restricted to expenditures for specified purposes. The District uses the Special Revenue Fund to account for the North Dickinson County School District’s activity.

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

Capital Project Funds – Capital Project Funds are used to account for the acquisition or construction of major capital facilities (other than those financed by proprietary funds).

Fiduciary Funds – Fiduciary funds account for assets held by the government in a trustee capacity or as an agent on behalf of others. Trust funds account for assets held by the government under the terms of a formal trust agreement.

Agency Fund – The agency fund is custodial in nature and does not present results of operations or have a measurement focus. Agency funds are accounted for using the modified accrual basis of accounting. This fund is used to account for assets that the government holds for others in an agency capacity (primarily student activities).

Account Groups – Account groups are used to establish accounting control and accountability for the District's general fixed assets and long-term obligations. The following are the District's account groups:

General Fixed Assets – This group of accounts was established to account for all general fixed assets of the District.

General Long-Term Obligations – This group of accounts has been established to account for unmatured general long-term obligations and certain other liabilities of the District not expected to be liquidated through the use of available expendable financial resources.

# NORTH DICKINSON COUNTY SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

For the Year Ended June 30, 2020

(Continued)

### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### D. Measurement Focus and Basis of Accounting

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made regardless of the measurement focus. The governmental-wide statement uses the economic resources measurement focus.

#### Accrual

Governmental activity in the government-wide financial statements is presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.

#### Modified Accrual

The governmental funds financial statements are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when they become both measurable and available (susceptible to accrual). "Measurable" means the amount of the transaction can be determined, and "available" means collectible within the current period or soon enough thereafter to pay liabilities of the current period. The District considers property taxes as available if they are collected within 60 days after the year end. A one year period is used for revenue recognition for all other governmental fund revenues. Those revenues prone to accrual are property taxes, federal aid, interest-revenue, and charges for services.

The District reports deferred revenue on its governmental fund balance sheet. Deferred revenues arise when a potential revenue does not meet both the "measurable" and "available" criteria for recognition by the District before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the government has a legal claim to the resources, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized.

State Foundation Revenue – For the fiscal year ended June 30, 2020, the State of Michigan adopted a foundation grant approach which provides for a specific annual amount of revenue per student based on a state-wide formula. In previous years, the state utilized a district power equalizing approach. The Foundation is funded from state and local sources. Revenues from state sources are primarily governed by the School Aid Act and the School Code of Michigan. The Michigan Department of Education administers the allocation of state funds to school districts based on information supplied by the districts. For the year ended June 30, 2020, the foundation allowance was based on 10% of the pupil membership count taken in February of 2019 and 90% taken in October of 2019.

**NORTH DICKINSON COUNTY SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

For the Year Ended June 30, 2020

(Continued)

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

D. Measurement Focus and Basis of Accounting (Continued)

Expenditures and related liabilities are recognized when obligations are incurred as a result of the receipt of goods and services. Modifications include:

Principal and interest on general long-term debt are recorded as fund liabilities when due, or when amounts have been accumulated in the debt service fund for payments of principal and interest to be made early in the following year.

E. Cash and Equivalents

The District's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from date of acquisition. Cash and equivalent balances for individual funds are pooled unless maintained in segregated accounts.

F. Interfund Balances and Transfers

The current portion of lending/borrowing arrangements between funds is identified as "due to/from other funds". The non-current portion of outstanding balances between funds is reported as "advances to/from other funds". Advances between funds are offset by a fund balance reserve account to indicate that they are not available for appropriation and are not expendable available financial resources.

Transfers represent a flow of assets without equivalent flows of assets in return or a requirement for repayment.

G. Inventories and Prepaid Items

Inventories are valued at the lower of cost (first-in, first-out) or net realizable value. Inventories in the Special Revenue Fund consisting of expendable supplies held for consumption, are recorded as expenditures when consumed rather than when purchased. Inventories for commodities are recorded as revenue when utilized. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

**NORTH DICKINSON COUNTY SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

For the Year Ended June 30, 2020

(Continued)

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

H. Capital Assets

Capital assets purchased or acquired are capitalized at historical cost or estimated historical cost. Donated fixed assets are valued at their estimated fair market value on the date received.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets.

Depreciation on all assets is provided on the straight-line basis over the estimated useful lives as follows:

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

The District has adopted a capitalization policy of \$1,000.

I. Long-Term Debt

Long-term debt is recognized as a liability of a governmental fund when due or when resources have been accumulated in the debt service fund for payment early in the following year. For other long-term obligations, only that portion expected to be financed from expendable available financial resources is reported as a fund liability of a governmental fund. The remaining portion of such obligations is reported in the general long-term debt account group.

J. Compensated Absences

Amounts representing accumulated vacation and personal leave expected to be liquidated with expendable available financial resources are reported as an expenditure and a fund liability of the government fund that will pay it.

K. Property Taxes

Property taxes levied by the District are collected by various municipalities and periodically remitted to the District. The taxes are levied as of December 1 and are due upon receipt of the billing by the taxpayer and become a lien on the first day of the levy year. The actual due dates are February 14, after which time the bills become delinquent and penalties and interest may be assessed by the collecting entity. School District property tax revenues are recognized as revenue when levied to the extent they result in current receivables (collected within sixty days after year end). Amounts received subsequent to August 31 are recognized as revenue when collected.

**NORTH DICKINSON COUNTY SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

For the Year Ended June 30, 2020

(Continued)

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

K. Property Taxes (Continued)

The District, along with certain other governmental units, is permitted by the Constitution of the State of Michigan of 1963 to levy combined taxes up to \$50 per \$1,000 of assessed valuation for general governmental services other than the payment of Debt Service Fund expenses if approved by a majority of the electors. The District must include certain tax levies of other governmental units located within the District, primarily the county, when determining the maximum millage of \$50 per \$1,000 of assessed valuation. For the year ended June 30, 2020, the District levied the following amounts per \$1,000 of assessed valuation:

<u>Fund Mills</u>	
General Fund - Non-Homestead	18.0000
Sinking Fund	1.9645

L. Unemployment Insurance

The District reimburses the Unemployment Insurance Agency (UIA) for the actual amount of unemployment benefits disbursed by the UIA on behalf of the District. Billings received for amounts paid by the UIA through June 30 are accrued.

M. Fund Balance

Nonspendable fund balance represents the amount that cannot be spent because they are either not spendable in form or are legally or contractually required to be maintained intact. Restricted fund balances for governmental funds represent the amount that has been legally identified for specific purposes.

N. Budgets

Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. Annual appropriated budgets are adopted for the general and special revenue funds. All annual appropriations lapse at fiscal year-end. The District follows these procedures in establishing the budgetary date reflected in the financial statements:

1. The Superintendent submits to the School Board a proposed operating budget for the fiscal year commencing on July 1<sup>st</sup>. The operating budget includes proposed expenditures and the means of financing them. The level of control for the budget is at the functional level as set forth in the combined statement of revenues, expenditures and changes in fund balances - budget and actual - all governmental fund types.
2. Public hearings are conducted to obtain taxpayer comments.

## NORTH DICKINSON COUNTY SCHOOL DISTRICT

### NOTES TO FINANCIAL STATEMENTS

For the Year Ended June 30, 2020

(Continued)

#### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

##### N. Budgets (Continued)

3. Prior to July 1<sup>st</sup>, the budget is legally adopted by School Board resolution pursuant to the Uniform Budgeting and Accounting Act (P.A. 621 of 1978). The Act requires that the budget be amended prior to the end of the fiscal year when necessary to adjust appropriations if it appears that revenues and other financing sources will be less than anticipated, or so that expenditures will not be in excess of original estimates. Expenditures shall not be made or incurred unless authorized in the budget, or in excess of the amount appropriated. Any expenditures in violation of the budgeting act are disclosed as unfavorable variances on the combined statement of revenues, expenditures and changes in fund balances - budget and actual (GAAP basis) - all governmental fund types.
4. The Superintendent is authorized to transfer budgeted amounts between major expenditure functions within any fund; however, these transfers and any revisions that alter the total expenditures of any fund must be approved by the School Board.
5. Formal budgetary integration is employed as a management control device during the year for the general fund.
6. The budget as presented has been amended. Supplemental appropriations were made during the year with the last one approved prior to June 30th.

The budget for the year ended June 30, 2020 was adopted on June 10, 2019 and formally amended on December 12, 2019.

A comparison of actual results of operations to the budgeted amounts (at the level of control adopted by the Board of Education) for the General Fund is presented as Required Supplemental Information.

##### O. Subsequent Events

Management evaluates events occurring subsequent to the date of the financial statements in determining the accounting for and disclosure of transactions and events that affect the financial statements. Subsequent events have been evaluated through November \_\_, 2020, which is the date the financial statements were available to be issued.

##### P. Pension:

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

**NORTH DICKINSON COUNTY SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

For the Year Ended June 30, 2020

(Continued)

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Q. Other Post-Employment Benefits:**

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 Systems (MPSERS) and additions to/deductions from MPSERS fiduciary net position have been determined on the same basis as they are reported to MPSERS. For this purpose, benefit payments (including refunds or employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

**NOTE 2 - CASH AND INVESTMENTS**

**Cash and Equivalents**

The District's cash and equivalents, as reported in the Statement of Net Position, consisted of the following:

Checking accounts	\$ 26,238
Money market and savings accounts	<u>646,288</u>
<b>TOTAL</b>	<b><u>\$672,526</u></b>

*Custodial Credit Risk.* Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned. State law does not require, and the District does not have, a policy for deposit custodial credit risk. As of June 30, 2020, the District's cash and equivalents were fully insured. The accounts were collateralized by certificates of deposit with a total fair market value of \$1,743,000 at June 30, 2020.

**Investments**

The District's investments, as reported in the Statement of Net Position, consisted of the following:

Michigan Liquid Asset Fund (MILAF)	<u>\$228,297</u>
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Michigan statutes authorize the District to invest in bonds, other direct obligations and repurchase agreements of the United States, certificates of deposits, savings accounts, deposit accounts or receipts of a bank which is a member of the FDIC, commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services and matures within 270 days of date of purchase, bankers' acceptances of United States banks, obligations of the State of Michigan and its political subdivisions, external investment pools, and certain mutual funds.

Investments are recorded at fair market value, which is based on quoted market prices.

**NORTH DICKINSON COUNTY SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

For the Year Ended June 30, 2020

(Continued)

**NOTE 2 - CASH AND INVESTMENTS (Continued)**

Investments (Continued)

*Custodial Credit Risk.* Custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. As of June 30, 2020, the District's investments were not exposed to credit risk due to them being fully invested in governmental securities.

*Interest Rate Risk.* Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of the District's investments. The District's investment policy does not have specific limits in excess of state law on investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The District's investments are with the Michigan Liquid Asset Fund (MILAF) which consists of different funds including mutual funds with a high degree of liquidity, thus the District's investments are not subject to interest rate risk.

**NOTE 3 - INTERFUND BALANCES AND TRANSFERS**

Interfund receivables and payables for the year ended June 30, 2020 are as follows:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Fund</u>	<u>Interfund Payable</u>
Nonmajor Governmental	<u>\$13,024</u>	General	<u>\$13,024</u>

Interfund transfers for the year ended June 30, 2020 are as follows:

<u>Fund</u>	<u>Transfers In</u>	<u>Fund</u>	<u>Transfers Out</u>
Nonmajor Governmental	<u>\$118,401</u>	General	<u>\$118,401</u>

**NORTH DICKINSON COUNTY SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

For the Year Ended June 30, 2020

(Continued)

**NOTE 4 - CAPITAL ASSETS**

A summary of changes in capital assets for the year ended June 30, 2020 follows:

	<u>Balance</u> <u>July 1, 2019</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2020</u>
<i>Assets not subject to depreciation:</i>				
Land	\$ 301,700	\$ -	\$ -	\$ 301,700
Construction in progress	165,273	10,000	-	175,273
<i>Assets subject to depreciation:</i>				
Land improvements	829,061	-	-	829,061
Buildings and improvements	6,824,922	4,675	-	6,829,597
Equipment	<u>2,073,818</u>	<u>-</u>	<u>-</u>	<u>2,073,818</u>
TOTALS	10,194,774	<u>\$ 14,675</u>	<u>\$ -</u>	10,209,449
Accumulated depreciation	<u>(6,398,135)</u>	<u>\$ (250,979)</u>	<u>\$ -</u>	<u>(6,649,114)</u>
Net capital assets	<u>\$ 3,796,639</u>			<u>\$ 3,560,335</u>

Depreciation for the year ended June 30, 2020, amounted to \$250,979. The District determined that it was impractical to allocate depreciation to various governmental activities as the assets serve multiple functions.

**NOTE 5 - LONG-TERM OBLIGATIONS**

During the year ended June 30, 2020, the following changes occurred in long-term obligations:

	<u>Balance</u> <u>July 1, 2019</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2020</u>	<u>Amounts</u> <u>Due Within</u> <u>One Year</u>
<i>General Obligation:</i>					
Bonds	\$ 200,000	\$ -	\$ -	\$ 200,000	\$ -
Notes Payable	22,606	-	(6,956)	15,650	6,956
<i>Employee Benefits:</i>					
Sick Pay	-	-	-	-	-
Net Pension Liability	4,288,698	457,115	-	4,745,813	-
Net OPEB Liability	<u>1,160,253</u>	<u>-</u>	<u>(151,344)</u>	<u>1,008,909</u>	<u>-</u>
TOTALS	<u>\$ 5,671,557</u>	<u>\$ 457,115</u>	<u>\$ (158,300)</u>	<u>\$ 5,970,372</u>	<u>\$ 6,956</u>

**NORTH DICKINSON COUNTY SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

For the Year Ended June 30, 2020

(Continued)

**NOTE 6 - BONDS AND NOTES PAYABLE**

Long-term obligations at June 30, 2020 is comprised of the following amounts:

1. 2007 School Building and Site Bonds due June 12, 2021	\$ 200,000
2. 2020 Ford F250 note payable	15,650
3. Net pension liability	4,745,813
4. Net OPEB liability	<u>1,008,909</u>
<b>TOTAL LONG-TERM OBLIGATIONS</b>	<b><u>\$5,970,372</u></b>

The annual requirements to amortize long-term obligations outstanding as of June 30, 2020 are as follows:

Year Ended June 30	Bond Issues		Notes Payable		Net Pension & OPEB Liability	Total
	Principal	Interest	Principal	Interest		
2021	200,000	-	6,956	341	-	207,297
2022	-	-	6,956	151	-	7,107
2023	-	-	1,738	8	-	1,746
2024	-	-	-	-	-	-
Thereafter	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,754,722</u>	<u>5,754,722</u>
<b>TOTALS</b>	<b><u>\$ 200,000</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 15,650</u></b>	<b><u>\$ 500</u></b>	<b><u>\$ 5,754,722</u></b>	<b><u>\$ 5,970,872</u></b>

Interest expense for the year ended June 30, 2020 was \$1,199.

**NOTE 7 - FUND BALANCES**

Portions of fund balances are restricted or nonspendable, and not available for general purposes other than fund usage as follows:

Food Service – Restricted for food service	<u>\$24,145</u>
Nonspendable inventory	<u>\$2,550</u>
 Sinking Fund – Restricted for sinking fund	 <u>\$720,792</u>

**NORTH DICKINSON COUNTY SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

For the Year Ended June 30, 2020

(Continued)

**NOTE 8 - EMPLOYEE RETIREMENT SYSTEM - DEFINED BENEFIT 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 at [www.michigan.gov/orsschools](http://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.

**NORTH DICKINSON COUNTY SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

For the Year Ended June 30, 2020

(Continued)

**NOTE 8 - EMPLOYEE RETIREMENT SYSTEM - DEFINED BENEFIT PLAN (Continued)**

**Contributions (Continued)**

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, 2018 valuation will be amortized over a 21-year period beginning October 1, 2018 and ending September 30, 2038.

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

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

Required contributions to the pension plan from the District were \$380,698 for the year ended September 30, 2019.

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

At June 30, 2020, the District reported a liability of \$4,745,813 for its proportionate share of the MPSERS net pension liability. The net pension liability was measured as of September 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation rolled forward from September 2018. The District's proportion of the net pension liability was determined by dividing each employer's statutorily required pension contributions to the system during the measurement period by the percent of pension contributions required from all applicable employers during the measurement period. At September 30, 2019, the District's proportion was 0.01433060 percent, which was an increase of 0.00006433 percent from its proportion measured as of September 30, 2018.

For the year ended June 30, 2020, the District recognized pension expense of \$783,264. At June 30, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

**NORTH DICKINSON COUNTY SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

For the Year Ended June 30, 2020

(Continued)

**NOTE 8 - EMPLOYEE RETIREMENT SYSTEM - DEFINED BENEFIT PLAN (Continued)**

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

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between actual and expected experience	\$21,272	\$19,790
Changes of Assumptions	929,234	-
Net difference between projected and actual earnings on pension plan investments	-	152,095
Changes in proportion and differences between Employer contributions and proportionate share of contributions	106,896	15,344
Employer contributions subsequent to the measurement date	339,227	-
Total	<u>\$1,396,629</u>	<u>\$187,229</u>

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

**NORTH DICKINSON COUNTY SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

For the Year Ended June 30, 2020

(Continued)

**NOTE 8 - EMPLOYEE RETIREMENT SYSTEM - DEFINED BENEFIT PLAN (Continued)**

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

<b>Deferred (Inflow) and Deferred Outflow of Resources by Year (To Be Recognized in Future Pension Expenses)</b>	
<b>Year Ending September 30</b>	<b>Amount</b>
2020	\$683,783
2021	\$283,574
2022	\$176,660
2023	\$65,383

**Actuarial Assumptions**

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

Additional information as of the latest actuarial valuation follows:

**Summary of Actuarial Assumptions**

Valuation Date:	September 30, 2018
Actuarial Cost Method:	Entry Age, Normal
Wage Inflation Rate:	2.75%
Investment Rate of Return:	
- MIP and Basic Plans (Non-Hybrid):	6.80%
- Pension Plus Plan:	6.80%
- 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

**NORTH DICKINSON COUNTY SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

For the Year Ended June 30, 2020

(Continued)

**NOTE 8 - EMPLOYEE RETIREMENT SYSTEM - DEFINED BENEFIT PLAN (Continued)**

**Summary of Actuarial Assumptions (Continued)**

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, 2019, is based on the results of an actuarial valuation date of September 30, 2018, and rolled forward using generally accepted actuarial procedures, including the experience study.*
- *Recognition period for liabilities is the average of the expected remaining service lives of all employees in years: 4.4977 for non-university employers*
- *Recognition period for assets in years is 5.0000*
- *Full actuarial assumptions are available in the 2019 MPSERS Comprehensive Annual Financial Report found on the ORS website at [www.michigan.gov/orsschools](http://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, 2019, are summarized in the following table:

**NORTH DICKINSON COUNTY SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

For the Year Ended June 30, 2020

(Continued)

**NOTE 8 - EMPLOYEE RETIREMENT SYSTEM - DEFINED BENEFIT PLAN (Continued)**

**Long-Term Expected Return on Plan Assets (Continued)**

<b>Asset Class</b>	<b>Target Allocation</b>	<b>Long Term Expected Real Rate of Return*</b>
Domestic Equity Pools	28.0%	5.5%
% Alternative Investment Pools	18.0	8.6
International Equity	16.0	7.3
Fixed Income Pools	10.5	1.2
Real Estate and Infrastructure Pools	10.0	4.2
Absolute Return Pools	15.5	5.4
Short Term Investment Pools	2.0	0.8
<b>TOTAL</b>	<b>100.0%</b>	
<i>*Long term rate of return does not include 2.3% inflation</i>		

**Rate of Return**

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

**Discount Rate**

A discount rate of 6.80% was used to measure the total pension liability (6.8% for the Pension Plus plan, 6.0% for the Pension Plus 2 plan provided through non-university employers only). This discount rate was based on the long term expected rate of return on pension plan investments of 6.80% (6.8% 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.

**NORTH DICKINSON COUNTY SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

For the Year Ended June 30, 2020

(Continued)

**NOTE 8 - EMPLOYEE RETIREMENT SYSTEM - DEFINED BENEFIT PLAN (Continued)**

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

The following presents the District’s proportionate share of the net pension liability calculated using the discount rate of 6.80% (6.8% for the Pension Plus Plan. 6.0% for the Pension Plus 2 Plan), as well as what the District’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage higher:

1% Decrease (Non-Hybrid/Hybrid)* 5.8% / 5.0%	Current Single Discount Rate Assumption (Non-Hybrid/Hybrid)* 6.8% / 6.0%	1% Increase (Non-Hybrid/Hybrid)* 7.8% / 7.0%
\$6,169,860	\$4,745,813	\$3,565,228
<p><i>* 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.</i></p>		

**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](http://www.michigan.gov/orsschools).

**NOTE 9 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)**

**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).

**NORTH DICKINSON COUNTY SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

For the Year Ended June 30, 2020

(Continued)

**NOTE 9 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (Continued)**

**Plan Description (Continued)**

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](http://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.

**NORTH DICKINSON COUNTY SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

For the Year Ended June 30, 2020

(Continued)

**NOTE 9 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (Continued)**

**Contributions**

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

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

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

<b>OPEB Contribution Rates</b>			
<b>Benefit Structure</b>	<b>Member</b>	<b>Employer</b>	
		<b>Universities</b>	<b>Non-Universities</b>
Premium Subsidy	3.00%	6.42%	7.93%
Personal Healthcare Fund (PHF)	0.00%	5.99%	7.57%

Required contributions to the OPEB plan from the District were \$96,510 for the year ended September 30, 2019.

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

At June 30, 2020, the District reported a liability of \$1,008,909 for its proportionate share of the MPSERS net OPEB liability. The net OPEB liability was measured as of September 30, 2019, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation rolled forward from September 2018. The District's proportion of the net OPEB liability was determined by dividing each employers statutorily required OPEB contributions to the system during the measurement period by the percent of OPEB contributions required from all applicable employers during the measurement period. At September 30, 2019, the District's proportion was 0.01405607 percent, which was a decrease of 0.00054023 percent from its proportion measured as of October 1, 2018.

For the year ending June 30, 2020, the District recognized OPEB expense of \$31,652. At June 30, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

**NORTH DICKINSON COUNTY SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

For the Year Ended June 30, 2020

(Continued)

**NOTE 9 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (Continued)**

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between actual and expected experience	\$-	\$370,197
Changes of Assumptions	218,610	0
Net difference between projected and actual earnings on OPEB plan investments	-	\$17,545
Changes in proportion and differences between employer contributions and proportionate share of contributions	\$52,214	\$40,720
Employer contributions subsequent to the measurement date	\$79,314	-
<b>Total</b>	<b>\$350,138</b>	<b>\$428,462</b>

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

<b>Deferred (Inflow) and Deferred Outflow of Resources by Year (To Be Recognized in Future OPEB Expenses)</b>	
2020	\$38,191
2021	(\$41,123)
2022	(\$32,367)
2023	(\$24,525)
2024	(\$18,500)

**NORTH DICKINSON COUNTY SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

For the Year Ended June 30, 2020

(Continued)

**NOTE 9 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (Continued)**

**Actuarial Assumptions**

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

Additional information as of the latest actuarial valuation follows:

**Summary of Actuarial Assumptions**

Valuation Date:	September 30, 2018
Actuarial Cost Method:	Entry Age, Normal
Wage Inflation Rate:	2.75%
Investment Rate of Return:	6.95%
Projected Salary Increases:	2.75-11.55%, including wage inflation at 2.75%
Healthcare Cost Trend Rate:	7.5% Year 1 graded to 3.5% Year 12
Mortality:                      Retirees:	RP-2014 Male and Female Healthy Annuitant Mortality Tables, scaled by 82% for males and 78% for females and adjusted for mortality improvements using projection scale MP-2017 from 2006.
Active Members:	RP-2014 Male and Female 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.

**NORTH DICKINSON COUNTY SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
For the Year Ended June 30, 2020  
(Continued)

**NOTE 9 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (Continued)**

**Actuarial Assumptions (Continued)**

*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 OPEB liability as of September 30, 2019, is based on the results of an actuarial valuation date of September 30, 2018, and rolled forward using generally accepted actuarial procedures, including the experience study.*
- *Recognition period for liabilities is the average of the expected remaining service lives of all employees in years: 5.7101 for non-university employers*
- *Recognition period for assets in years is 5.0000*
- *Full actuarial assumptions are available in the 2019 MPERS Comprehensive Annual Financial Report found on the ORS website at [www.michigan.gov/orsschools](http://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, 2019, are summarized in the following table:

Asset Class	Target Allocation	Long Term Expected Real Rate of Return*
Domestic Equity Pools	28.0%	5.5%
% Alternative Investment Pools	18.0	8.6
International Equity	16.0	7.3
Fixed Income Pools	10.5	1.2
Real Estate and Infrastructure Pools	10.0	4.2
Absolute Return Pools	15.5	5.4
Short Term Investment Pools	2.0	0.8
<b>TOTAL</b>	<b>100.0%</b>	

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

**NORTH DICKINSON COUNTY SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
For the Year Ended June 30, 2020  
(Continued)

**NOTE 9 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (Continued)**

**Rate of Return**

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

**Discount Rate**

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

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

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

1% Decrease 5.95%	Current Discount Rate 6.95%	1% Increase 7.95%
\$1,237,579	\$1,008,909	\$816,890

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

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

1% Decrease 6.15%	Current Healthcare Cost Trend Rate 7.5%	1% Increase 8.15%
\$808,750	\$1,008,909	\$1,237,552

**NORTH DICKINSON COUNTY SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

For the Year Ended June 30, 2020

(Continued)

**NOTE 9 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (Continued)**

**OPEB Plan Fiduciary Net Position**

Detailed information about the OPEB plan’s fiduciary net position is available in the separately issued 2019 MPSERS CAFR, available on the ORS website at [www.michigan.gov/orsschools](http://www.michigan.gov/orsschools).

**NOTE 10 - RISK MANAGEMENT**

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

The District continues to carry commercial insurance for other risks of loss, including employee health and accident insurance.

**NOTE 11 - USE OF ESTIMATES**

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

**NOTE 12 - SIGNIFICANT ESTIMATES**

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

**NORTH DICKINSON COUNTY SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

For the Year Ended June 30, 2020

(Continued)

**NOTE 13 - SINKING FUND COMPLIANCE**

The Capital Projects Fund includes activities funded with sinking fund tax dollars issued after May 1, 1994. For this capital project, the District has complied with the applicable provisions of §1351a of the Revised School Code.

**NOTE 14 – COMPENSATED ABSENCES**

At June 30, 2020 accumulated non-vested sick time and personal days amounted to \$19,510. Non-vested, unused sick time and personal days do not vest and so are not included in the general long-term debt account group.

**NOTE 15 – SUBSEQUENT EVENTS**

The COVID-19 pandemic has developed rapidly in 2020, with a significant number of cases. Measures taken by various governments to contain the virus have affected economic activity. The District has taken a number of measures to monitor and mitigate the effects of COVID-19, such as safety and health measures for our teachers and students (such as social distancing and remote learning).

At this stage, the impact on the District has not been significant and based on our experience to date, we expect this to remain the case. As the District operates in state funded education, we have experienced increased grants provided to the District. The District will continue to follow the various government policies and advice and will continue to operate in the best and safest way possible without jeopardizing the health of the staff and students.

**REQUIRED SUPPLEMENTARY INFORMATION**

**NORTH DICKINSON COUNTY SCHOOL DISTRICT**

**SCHEDULE OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL -  
GENERAL FUND**

For the Year Ended June 30, 2020

	<u>Budgeted Amounts</u>		Actual (Budgetary Basis) (Note 1)
	<u>Original</u>	<u>Final</u>	
REVENUES:			
Local sources	\$ 1,215,404	\$ 1,227,230	\$ 1,255,597
State sources	1,229,875	1,276,538	1,235,411
Federal sources	108,190	105,694	105,695
<b>TOTAL REVENUES</b>	<b><u>2,553,469</u></b>	<b><u>2,609,462</u></b>	<b><u>2,596,703</u></b>
EXPENDITURES:			
Instruction	1,484,034	1,489,767	1,515,257
Supporting services	1,005,769	1,005,205	994,471
Debt service	7,640	7,512	7,488
School service	105,714	116,616	119,434
<b>TOTAL EXPENDITURES</b>	<b><u>2,603,157</u></b>	<b><u>2,619,100</u></b>	<b><u>2,636,650</u></b>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(49,688)</u>	<u>(9,638)</u>	<u>(39,947)</u>
OTHER FINANCING SOURCES (USES):			
Other sources	6,480	4,942	4,942
Transfers in	105,764	87,858	95,148
Payments received from other governmental units	55,000	62,695	66,960
Transfers out	<u>(105,714)</u>	<u>(112,401)</u>	<u>(118,401)</u>
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b><u>61,530</u></b>	<b><u>43,094</u></b>	<b><u>48,649</u></b>
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	11,842	33,456	8,702
FUND BALANCE, JULY 1	<u>348,784</u>	<u>348,784</u>	<u>348,784</u>
FUND BALANCE, JUNE 30	<b><u>\$ 360,626</u></b>	<b><u>\$ 382,240</u></b>	<b><u>\$ 357,486</u></b>

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

**NORTH DICKINSON COUNTY SCHOOL DISTRICT**

**REQUIRED SUPPLEMENTARY INFORMATION**

**SCHEDULE OF THE REPORTING UNIT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY**

MICHIGAN PUBLIC SCHOOL EMPLOYEES RETIREMENT PLAN

LAST 10 FISCAL YEARS (Amounts were determined as of 9/30 of each fiscal year)

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
A. Reporting unit's proportion of net pension liability (%)					0.014330600%	0.014266270%	0.013747430%	0.013447390%	0.001376936%	0.01317%
B. Reporting unit's proportionate share of net pension liability					\$ 4,745,813	\$ 4,288,698	\$ 3,562,544	\$ 3,355,014	\$ 3,363,170	\$ 2,901,214
C. Reporting unit's covered-employee payroll					\$ 1,230,854	\$ 1,243,834	\$ 1,168,205	\$ 1,123,302	\$ 1,162,754	\$ 1,140,549
D. Reporting unit's proportionate share of net pension liability as a percentage of its covered-employee payroll (%)					25.93558%	29.00261%	32.79131%	33.48129%	34.57316%	39.31282%
E. Plan fiduciary net position as a percentage of total pension liability					60.31%	62.36%	64.21%	63.27%	63.17%	66.20%

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

**NORTH DICKINSON COUNTY SCHOOL DISTRICT**

**REQUIRED SUPPLEMENTARY INFORMATION**

**SCHEDULE OF THE REPORTING UNIT'S CONTRIBUTIONS**  
**MICHIGAN PUBLIC SCHOOL EMPLOYEES RETIREMENT PLAN**  
 LAST 10 FISCAL YEARS (Amounts were determined as of 6/30 of each fiscal year)

	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
A. Statutorily required contributions					\$ 384,054	\$ 379,649	\$ 359,023	\$ 358,757	\$ 362,604	\$ 356,413
B. Contributions in relation to statutorily required contributions*					\$ 384,054	\$ 378,774	\$ 369,692	\$ 358,757	\$ 362,604	\$ 356,413
C. Contribution deficiency (excess)					\$ -	\$ 875	\$ (10,669)	\$ -	\$ -	\$ -
D. Reporting unit's covered-employee payroll					\$ 1,221,022	\$ 1,233,175	\$ 1,228,312	\$ 1,155,390	\$ 1,171,738	\$ 1,165,741
E. Contributions as a percentage of covered-employee payroll					31.45349%	30.71535%	30.09756%	31.05073%	30.94583%	30.57394%

\* Contributions in relation to statutorily required contributions are the contributions an employer actually made to the System, as distinct from the statutorily required contributions.

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

**NORTH DICKINSON COUNTY SCHOOL DISTRICT**

**REQUIRED SUPPLEMENTARY INFORMATION**

**SCHEDULE OF THE REPORTING UNIT'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY**

MICHIGAN PUBLIC SCHOOL EMPLOYEES RETIREMENT PLAN

LAST 10 FISCAL YEARS (Amounts were determined as of 9/30 of each fiscal year)

	<u>2026</u>	<u>2025</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
A. Reporting unit's proportion of net OPEB liability (%)								0.01405607%	0.01459630%	0.01370979%
B. Reporting unit's proportionate share of net OPEB liability								\$ 1,008,909	\$ 1,160,253	\$ 1,214,066
C. Reporting unit's covered-employee payroll								\$ 1,230,854	\$ 1,243,834	\$ 1,168,205
D. Reporting unit's proportionate share of net OPEB liability as a percentage of its covered-employee payroll (%)								121.99852%	107.20372%	96.22253%
E. Plan fiduciary net position as a percentage of total OPEB liability								48.46%	42.95%	36.39%

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

**NORTH DICKINSON COUNTY SCHOOL DISTRICT**

**REQUIRED SUPPLEMENTARY INFORMATION**

**SCHEDULE OF THE REPORTING UNIT'S OPEB CONTRIBUTIONS**  
MICHIGAN PUBLIC SCHOOL EMPLOYEES RETIREMENT PLAN  
LAST 10 FISCAL YEARS (Amounts were determined as of 6/30 of each fiscal year)

	<u>2027</u>	<u>2026</u>	<u>2025</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
A. Statutorily required OPEB contributions								\$ 99,135	\$ 96,522	\$ 89,886
B. OPEB contributions in relation to statutorily required contributions*								\$ 99,135	\$ 96,178	\$ 74,464
C. Contribution deficiency (excess)								\$ -	\$ 344	\$ 15,422
D. Reporting unit's covered-employee payroll								\$ 1,221,022	\$ 1,233,175	\$ 1,228,312
E. OPEB contributions as a percentage of covered-employee payroll								8.11902%	7.79922%	6.06230%

\* Contributions in relation to statutorily required OPEB contributions are the contributions an employer actually made to the OPEB Plans, as distinct from the statutorily required contributions.

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

**OTHER SUPPLEMENTARY INFORMATION**

**NORTH DICKINSON COUNTY SCHOOL DISTRICT**

**COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS**

June 30, 2020

	<u>Food Service</u>	<u>Debt Service</u>	<u>Total Nonmajor Governmental Funds</u>
ASSETS:			
Cash and equivalents	\$ -	\$ 14,812	\$ 14,812
Accounts receivable	1,107	-	1,107
Inventory	2,550	-	2,550
Due from other funds	13,024	-	13,024
	<u>16,681</u>	<u>14,812</u>	<u>31,493</u>
TOTAL ASSETS	<u>16,681</u>	<u>14,812</u>	<u>31,493</u>
LIABILITIES:			
Accrued expenses	4,798	-	4,798
	<u>4,798</u>	<u>-</u>	<u>4,798</u>
TOTAL LIABILITIES	<u>4,798</u>	<u>-</u>	<u>4,798</u>
FUND BALANCE AND OTHER CREDITS:			
Fund balances:			
Restricted	9,333	14,812	24,145
Nonspendable	2,550	-	2,550
	<u>11,883</u>	<u>14,812</u>	<u>26,695</u>
TOTAL FUND BALANCE AND OTHER CREDITS	<u>11,883</u>	<u>14,812</u>	<u>26,695</u>
TOTAL LIABILITIES, FUND BALANCE AND OTHER	<u>\$ 16,681</u>	<u>\$ 14,812</u>	<u>\$ 31,493</u>

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

**NORTH DICKINSON COUNTY SCHOOL DISTRICT**

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE  
NONMAJOR GOVERNMENTAL FUNDS**

For the Year Ended June 30, 2020

	Food Service	Debt Service	Total Nonmajor Governmental Funds
REVENUES:			
Local sources	\$ 25,629	\$ 1,910	\$ 27,539
State sources	6,216	-	6,216
Federal sources	68,341	-	68,341
 TOTAL REVENUES	 <u>100,186</u>	 <u>1,910</u>	 <u>102,096</u>
EXPENDITURES:			
School service	123,471	-	123,471
 TOTAL EXPENDITURES	 <u>123,471</u>	 <u>-</u>	 <u>123,471</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	 <u>(23,285)</u>	 <u>1,910</u>	 <u>(21,375)</u>
OTHER FINANCING SOURCES (USES):			
Transfers in	23,252	-	23,252
 TOTAL OTHER FINANCING SOURCES (USES)	 <u>23,252</u>	 <u>-</u>	 <u>23,252</u>
EXCESS OF EXPENDITURES AND OTHER FINANCING USES OVER REVENUES AND OTHER FINANCING SOURCES	 (33)	 1,910	 1,877
FUND BALANCE, JULY 1	<u>11,916</u>	<u>12,902</u>	<u>24,818</u>
FUND BALANCE, JUNE 30	<u>\$ 11,883</u>	<u>\$ 14,812</u>	<u>\$ 26,695</u>

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

**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**

Board of Education  
North Dickinson County School District  
Felch, Michigan

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

**Internal Control Over Financial Reporting**

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

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given the 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.

**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)**

**Compliance and Other Matters**

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

**Purpose of this Report**

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

ANDERSON, TACKMAN & COMPANY, PLC  
Certified Public Accountants  
Iron Mountain, Michigan

November \_\_, 2020

November \_\_, 2020

To the Board of Education  
North Dickinson County School District

We have audited the financial statements of the governmental activities, each major fund, and the internal service fund of the North Dickinson County School District for the year ended June 30, 2020. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated April 20, 2020. Professional standards also require that we communicate to you the following information related to our audit.

### **Significant Audit Findings**

#### *Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by North Dickinson County School District are described in Note A to the financial statements. No new accounting policies were adopted, and the application of existing policies was not changed during fiscal year 2020. 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. There were no major sensitive accounting estimates.

#### *Difficulties Encountered in Performing the Audit*

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

#### *Corrected and Uncorrected Misstatements*

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

Disagreements with Management

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

Management Representations

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

Management Consultations with Other Independent Accountants

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

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the 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.

Other Matters

We applied certain limited procedures to the MD&A, which is 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.

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

Restriction on Use

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

Very truly yours,

ANDERSON, TACKMAN & COMPANY, PLC

By: Shane M. Ellison, CPA, PC

By: \_\_\_\_\_

Shane M. Ellison, President