
Battle Creek Public Schools

Report to the Board of Education

June 30, 2020

To the Board of Education
Battle Creek Public Schools

We have recently completed our audit of the basic financial statements of Battle Creek Public Schools (the "School District") as of and for the year ended June 30, 2020. In addition to our audit report, we are providing the following results of the audit and informational items that impact the School District:

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We are grateful for the opportunity to be of service to Battle Creek Public Schools. We would also like to extend our thanks to Laura Ash, Brenda DeMott, and the entire business office for their assistance and preparedness during the audit. We recognize that preparing for the audit is carried out in addition to your staff's normal daily activities. Should you have any questions regarding the comments in this report, please do not hesitate to call.

Plante & Moran, PLLC

November 20, 2020

Results of the Audit

November 20, 2020

To the Board of Education
Battle Creek Public Schools

We have audited the financial statements of Battle Creek Public Schools (the "School District") as of and for the year ended June 30, 2020 and have issued our report thereon dated November 25, 2020. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility Under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter dated June 8, 2020, our responsibility, as described by professional standards, is to express an opinion about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities. Our responsibility is to plan and perform the audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement.

As part of our audit, we considered the internal control of the School District. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

We are responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures specifically to identify such matters.

Our audit of the School District's financial statements has also been conducted in accordance with *Government Auditing Standards*, issued by the Comptroller General of the United States. Under *Government Auditing Standards*, we are obligated to communicate certain matters that come to our attention related to our audit to those responsible for the governance of the School District, including compliance with certain provisions of laws, regulations, contracts, and grant agreements; certain instances of error or fraud; illegal acts applicable to government agencies; and significant deficiencies in internal control that we identify during our audit. Toward this end, we issued a separate letter dated November 25, 2020 regarding our consideration of the School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in our meeting about planning matters on July 23, 2020.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the School District are described in Note 2 to the financial statements.

As described in Note 2, the School District adopted the provisions of Governmental Accounting Standards Board Statement No. 84, *Fiduciary Activities*. Accordingly, the accounting change has been retrospectively applied to July 1, 2019, as required by the standard.

We noted no transactions entered into by the School District during the year for which there is a lack of authoritative guidance or consensus.

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

The most sensitive estimates affecting the financial statements were the School District's share of the MPERS net liabilities for the pension and other postemployment benefit (OPEB) plans recorded on the government-wide statements related to GASB Statement Nos. 68 and 75, respectively. The School District's estimates as of June 30, 2020 were \$88,100,662 and \$18,988,405 for the pension and OPEB plans, respectively, based on data received from the Office of Retirement Services. We evaluated the key factors and assumptions used to develop the accounting estimates in determining that they are reasonable in relation to the financial statements taken as a whole.

The disclosures in the financial statements are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

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

Disagreements with Management

For the purpose of this letter, professional standards define a disagreement with management as 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.

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. We did not detect any misstatements as a result of audit procedures.

Significant Findings or Issues

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

As required by 2 CFR Part 200, we have also completed an audit of the federal programs administered by the School District. The results of that audit are provided to the Board of Education in our report on compliance with requirements applicable to each major program and on internal control over compliance in accordance with 2 CFR Part 200 dated November 20, 2020.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated November 20, 2020.

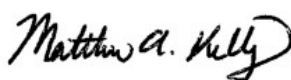
Management Consultations with Other Independent Accountants

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

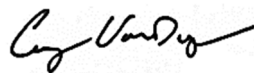
This information is intended solely for the use of the Board of Education and management of the School District and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

Plante & Moran, PLLC



Matthew A. Kelly, CPA
Partner



Corey VanDyke, CPA
Senior Manager

Informational Items

State Aid Funding

2019-2020 State Aid, Foundation Allowance, and Proration

Background

Beginning of the 2020 School Year: School funding for 2019-2020 started out with little clarity; as the year progressed, the funding picture only increased in complexity and uncertainty. Due to conflicting priorities between the governor and the Legislature, school aid funding was not set on July 1, 2019, the start of the School District's fiscal year. This meant the School District was required to enact a budget with little to no guidance as to what the school aid funding picture would look like. It also meant the School District would need to revisit budget assumptions once the final state aid package was enacted. Once the funding was settled, the focus moved to what 2020-2021 would look like. The January 2020 Revenue Estimating Conference painted a positive picture for the School Aid Fund and the General Fund looking forward, and the governor started the budget process with the administration's budget recommendations.

State Budget Crisis: The normal budget development process was halted in March 2020 as the State began dealing with the implications of COVID-19. Schools moved to remote learning, meals were served for whole communities, federal financial resources were quickly infused into the economy, and "stay home, stay safe" was the theme as the entire state worked to see a way through the challenges of COVID-19. In May 2020, the regularly scheduled Revenue Estimating Conference addressed two key questions: What was the status of state revenue for the 2020 fiscal year, and what projections can be made looking forward to 2021 and 2022? The conclusions reached at the meeting were dire. It was estimated the 2020 School Aid Fund would end the year with an approximate \$1 billion deficit, roughly translated to a \$685 per pupil shortfall, that would need to be absorbed with the 2020 school year all but over. In addition, the estimates suggested there would be no improvement until 2022. These conclusions caused many school districts to adjust their final 2020 budgets to reflect a potential proration of as much as \$650 to \$700 per pupil.

Financial Picture Improves: In the months that followed the May Revenue Estimating Conference, and well after the 2020 school year had ended, the State concluded it could balance its school aid budget with a \$175 per pupil proration cut, significantly less than the expected \$650 to \$700 per pupil estimate. In addition, in August 2020, a special Revenue Estimating Conference was held with the same goals as the May conference. With better data, the conference concluded that it is possible the \$175 per pupil proration would not need to recur in 2021, and the School Aid Fund will end in a better position than anticipated. While those conclusions are hopeful, significant unknowns remain related to an economic rebound and how resources will be allocated to funding priorities within school aid. The data will be used to craft a school funding plan for 2021; once complete, school districts will once again need to revisit their 2021 budgets to reflect the budget priorities and funding levels provided by the 2021 amendments to the School Aid Act.

2020 Funding Implications for the School District

2019-2020 Foundation: The target foundation allowance (formerly known as the basic foundation allowance) increased by \$120, from \$8,409 to \$8,529. Additionally, using the “2X formula,” the minimum foundation allowance increased by \$240 per pupil to \$8,111. Before applying proration, the School District received a \$240 increase in its foundation allowance, representing an increase of 3.05 percent. When a proration is applied it does not change the actual foundation allowance. Instead it is essentially “taken off the top” of the funds provided to each district. For practical purposes, after applying proration, which occurred subsequent to June 30, 2020, the net result was effectively an increase of \$65 per pupil funding.

MPSERS Cost Support: Overall retirement costs continue to increase. The estimated contribution rate for 2019-2020 ranged from 36.44 to 39.91 percent, with the rate, net of state funding support, paid directly by the employer ranging from 24.03 to 27.50 percent. The State’s funding support is provided in three separate sections of the State Aid Act: Sections 147a, 147c, and 147e. The School District received a total of \$316,435 in 147a1, \$487,794 in 147a2, \$2,922,465 in 147c1, and \$111,069 of 147e. In general terms, this means the total cost of the retirement system contributions in 2019-2020, representing approximately 39 percent of covered payroll, is recognized as an expenditure in the School District’s financial statements along with related revenue that was previously considered state support to the system. The net effect is that the School District is responsible for approximately a 27 percent contribution to the retirement system.

COVID-19 Waivers and Flexibilities: With the onset of COVID-19, many waivers were put in place and flexibilities made available to allow for the continued operation of schools. Examples include waivers for in-person attendance and days and hours requirements, since learning was now using a remote model, and approval and use of a Continuity of Learning Plan to qualify for continued state funding.

2021 Funding Implications for the School District

The August 2020 Revenue Estimating Conference reflected a better than expected revenue picture through September 30, 2020 and more stable financial footing for fiscal year 2021. Communications surrounding financial projections are highly cautionary, as the uncertainty of the economic impact of the pandemic duration continues to loom large. Careful monitoring of legislative, gubernatorial, and Michigan Department of Education actions will be essential for the School District to understand and plan for all revenue, identify requirements to receive and utilize federal revenue, and craft methodologies to allocate costs to ensure reimbursement. Several elements that impact school financial management are summarized below:

- **2020-2021 Foundation:** The School District’s foundation allowance remains at the fiscal 2019-2020 level, with the minimum set at \$8,111 per pupil and the target set at \$8,529 per pupil. The \$175 per pupil proration received in fiscal year 2020 will not continue into fiscal year 2021. School districts will also receive a one-time payment estimated at \$65 per pupil for fiscal year 2021 based on a 50/50 blend (50 percent weight on fiscal year 2020 membership plus 50 percent weight on what would have been the traditional fiscal year 2021 membership). Special education funding remains consistent at fiscal year 2020 levels, with the additional 2 percent reimbursement rate continuing in fiscal year 2021.

- **Pupil Membership Blend for 2020-2021:** Typically, the pupil count methodology is defined when the School Aid Act is amended. For the 2021 fiscal year, a modified weighting process was crafted in July 2020 under the “Return to Learn” plan agreed to by the Legislature and the governor. The methodology attempts to address the variety of education delivery methods under the extended COVID-19 learning plans used by districts as fall instruction begins. The process provides for seat time waivers, waives the days and hours of instruction minimums, and changes the weighting of the pupil counts. The new method is a 75 percent/25 percent “super blending.” Step one under this method requires a district to complete its calendar year spring and fall counts for 2019 and 2020. The weighting of those counts continues to be at 90 percent fall and 10 percent spring. Then each of those counts is blended, with the 2019 calendar year count blend weighted at 75 percent and the 2020 count blend weighted at 25 percent. The net result of this is that districts experiencing a student count decline will see slower revenue reductions. Districts with a growing student count would see a slower revenue rise.
- **Increasing Enrollment Districts:** The budget includes an additional \$66 million of funding that will be used to help mitigate impacts to growing districts negatively impacted by the “super blend” calculation. Payments to the impacted districts will be calculated using the difference between the new calculation and a non-pandemic-year blended count multiplied by current foundation allowance and capped at the target foundation level. Depending on the number of districts impacted by the “super blend,” the total funding allocation may be required to be prorated.
- **Teacher Retention Stipend:** The budget also appropriated \$5 million for fiscal year 2021 to provide matching funds to districts to retain new teachers. The program would provide \$1,000 in state funds to match \$500 in district funds for new teachers completing a full year of teaching in districts with at least 70 percent of pupils being economically disadvantaged. For districts with a lower percentage of economically disadvantaged pupils, the state payment would decline to \$500. This stipend should not be confused with the \$500 hazard pay for teachers, which is expected to be funded by the Coronavirus Relief Fund and has yet to be finalized.
- **MPSERS Cost for 2020-2021:** The basic structure, including cost support provided by the School Aid Fund, is expected to continue once the amendments to the School Aid Fund are completed. However, one key change is the level of total contribution required. For 2021, the overall contribution rate is expected to increase to 42 percent from 39 percent, with the net cost to the School District approximating 28 percent. While the net cost to the School District changes marginally, the overall contribution rate increases significantly from 2020. The School Aid Fund implication is that more resources are redirected from the funding of operations to the support of the retirement system funding requirement.

Looking Forward to 2022 and Beyond

Given that 2021 is not yet settled, looking past 2021 is difficult. The August 2020 Revenue Estimating Conference provided a look into 2022. While 2021 projected a surplus to carry over to 2022, the estimates suggest 2022 would be essentially breakeven. Once again, the projections do not build in any specific foundation allowance increases. Factors that will impact projections include the following:

- The extent of economic “bounce back or backwards” that will be experienced by the State

- The impact of any future federal stimulus provided, as the projections do not include any stimulus other than what is already in place
- The ability to return to in-class instruction
- Student enrollment
- Health of the State's General Fund
- Cost trends for the retirement system and extent state support is used from the School Aid Fund

The next Revenue Estimating Conference will occur in January 2021. Districts will need to carefully monitor those results and compare projections to the August 2020 conference results. That information will allow districts to better project the extent of recovery and implications for school funding.

New Federal Funding Considerations - 2020 and 2021

Districts are experiencing a significant flow of new federal grant funding, the likes of which have not been seen since the Great Recession. These federal grants have compliance strings attached and require additional time and attention by school districts to evaluate and ensure proper use.

The Families First Coronavirus Response Act and the Coronavirus Aid, Relief, and Economic Security Act appropriated billions of dollars in supplemental and new education grant programs. In addition, these acts, and numerous waivers issued by federal agencies, have provided flexibilities for states, intermediate school districts, and local education authorities responsible for administering and monitoring new and previously existing federal grant programs.

Specific guidance related to the funding awarded to the School District under these acts has only recently been made available or, in some cases, is still forthcoming. The following is a summary of the more significant federal grants that have already been awarded to the School District or those to which the School District may consider applying:

- *Child Nutrition Meal Reimbursement: Unanticipated School Closures Program* - Due to the national emergency and mandatory closure of all Michigan K-12 schools, the School District participated in the Unanticipated School Closure Summer Food Service Program (SFSP) during March, April, May, and June 2020. Nationwide and state-specific waivers granted by the U.S. Department of Agriculture (USDA) allowed all sponsors that participate in the National School Lunch Program (NSLP), School Breakfast Program (SBP), and SFSP to serve noncongregate meals to any child or teen age 18 years or younger residing in the community. The meals served through this program were provided free of charge, and reimbursement to the School District was funded through the CARES Act. Meal reimbursement claims by the School District under the Unanticipated School Closures grant during the year ended June 30, 2020 totaled \$1,239,541.

On August 31, 2020, the USDA announced that it is extending a suite of nationwide waivers for the Summer Food Service Program and Seamless Summer Option (SSO) through the end of 2020 or until available funding is depleted. The extended waivers allow for congregate or noncongregate meals to be served in all areas at no cost and for parents or guardians to pick up meals for their children.

- **Coronavirus Relief Fund** - The CARES Act established the Coronavirus Relief Fund (CRF) and appropriated these funds to states and large governmental municipalities. The funds are designed to help districts cover the supplemental costs related to their response to COVID-19. In July and August 2020, the State of Michigan appropriated \$530 million of the State's federal CRF funds to local education agencies (LEAs), which has since been distributed via the state aid payment system. In addition, \$125 million of Michigan CRF funds is earmarked to provide support to eligible child care providers, including those operated by school districts.

Districts are required to use the funds in accordance with federal rules and regulations, subject to further interpretation by the State of Michigan. The CARES Act outlines three broad requirements that pertain to payments from the Coronavirus Relief Fund; the funds may be used only to cover expenses that:

1. Are necessary expenditures incurred due to the public health emergency with respect to coronavirus disease 2019 (COVID-19)
2. Were not accounted for in the budget most recently approved as of March 27, 2020 (the date of enactment of the CARES Act) for the state or government
3. Were incurred during the period from March 1, 2020 through December 30, 2020

In early September 2020, the U.S. Treasury issued clarified guidance specific to school districts' use of CRF funds. This guidance broadly states that CRF payments may be used to cover costs associated with providing distanced or in-person learning and that, "as an administrative convenience, Treasury will presume expenses of up to \$500 per elementary and secondary school student to be eligible expenditures, such that schools do not need to document the specific use of funds up to that amount." While the Treasury guidance provides flexibility relative to the eligibility of costs that can be applied to CRF funds, there remains some uncertainty surrounding the nature and extent of documentation that school districts will be required to produce and retain to support how the funds were used. Therefore, we encourage the School District to remain cognizant of any updates to requirements relating to CRF funds as they are made available.

The School District's July and August 2020 state aid payments included a total of \$1,416,196 in CRF funds that must be recognized as revenue during fiscal year 2021 for eligible expenses incurred from March 1, 2020 through December 30, 2020.

- **Elementary and Secondary School Emergency Relief (ESSER) Fund** - The CARES Act also established a \$30.75 billion Education Stabilization Fund. Of the total \$389 million allocation to Michigan, the Michigan Department of Education (MDE) is required to apportion a minimum of 90 percent to LEAs based on the previous year's Title I formula. Although the State has no discretion in how this portion of the funding is to be allocated to eligible LEAs, school districts are still required to complete an application and budget by September 30, 2020 to be granted the award. ESSER grant funds can be applied toward a variety of allowable uses, including, but not limited to, coordination of efforts in response to coronavirus; provision of resources necessary to address the needs of individual schools, including learning materials and professional development; and other activities that are necessary to maintain the operation of and continuity of services in the school district and continue to employ existing staff.

A portion (9.5 percent) of the State ESSER Fund allocation is to be awarded competitively to school districts demonstrating the most need for remote learning connectivity and student mental health resources. Awards to individual school districts out of this reserve, known as ESSER Equity, are limited to 20 percent of the formula allocations. Applications are also due by September 30, 2020, and expenditures must have been incurred during the period from March 13, 2020 through September 30, 2021 to be eligible for reimbursement.

The School District's formula ESSER allocation is \$2,983,490.

In addition to the CARES Act funding described above, the School District may also have received or may be eligible to apply for the following grants designed to assist with responding to impacts of the pandemic:

- Child Care and Development Block Grant - CARES Act Supplemental Payments
- Head Start - CARES Act Supplemental Payments
- Federal Emergency Management Agency (FEMA) Grants
- Coronavirus Food Assistance Program (CFAP) Commodities
- Federal assistance from the intermediate school district

In order to maximize available funding and ensure compliance with federal rules and regulations, the School District should do the following:

- Obtain a clear understanding of program requirements, including allowable uses and time period in which eligible expenses must be incurred.
- Verify that procedures and internal controls are adequately in place to adhere to Uniform Guidance rules related to procurement, cash management, allowable costs, and subrecipient monitoring, as applicable.
- Ensure that policies and procedures have been created or amended in accordance with requirements set forth in OMB Memorandums M-20-17 (rescinded by and replaced with M-20-26 on June 18, 2020) and M-20-26 (expired on September 30, 2020), which provided agencies the ability to extend administrative relief to federal grant recipients.
- Document all decisions made to determine eligibility of emergency-funded costs.
- Refer regularly to accounting guidance issued by the Michigan Department of Education to ensure that federal grant revenue is recorded correctly and expenditures are tracked using the proper grant codes.

The COVID-19 pandemic has created a continuously changing environment for recipients of federal funding, including the School District. As future legislation is developed, guidance is updated, and additional challenges and opportunities are uncovered, we are committed to assisting you in navigating the complexities.

Michigan Public School Employees' Retirement System (MPERS) - Update on the Plans' Net Pension/OPEB Liabilities

Similar to the State of Michigan, the MPERS plan has a September 30 year end. With the adoption of GASB Statement Nos. 68 and 75, districts have been reporting their share of the MPERS plan funded status in the government-wide financial statements of the district.

At September 30, 2019, the pension portion of the MPSERS plan had a net pension liability of approximately \$33.8 billion. This is an increase from the reported amount of \$30.7 billion at September 30, 2018, an increase of approximately 10 percent. This increase meant that, for the year ended June 30, 2020, districts reported a higher net pension liability than they had in the previous year, despite the fact that districts continued to make their required contributions to the plan during fiscal year 2020. One of the primary reasons for the increase in the liability was the result of a recently completed five-year experience study. The study results had the impact of increasing computed liabilities and contribution requirements. Additionally, the discount rate was lowered by 0.25 basis points, which also had the impact of increasing the pension liability.

At September 30, 2019, the retiree health care portion (OPEB) of the MPSERS plan had a net OPEB liability of approximately \$7.3 billion. This is a decrease from the reported amount of \$8.1 billion at September 30, 2018, a decrease of approximately 10 percent. The discount rate was lowered by 0.20 basis points, which had the unfavorable impact of increasing the liability. However, this was largely offset by the results of a favorable experience study adjustment related to a decrease in the projected per person health benefits cost.

GASB Statement No. 87 - Leases

This statement was originally effective for the School District's June 30, 2021 financial statements; however, it was postponed 18 months with the issuance of GASB Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*, in response to the COVID-19 pandemic. With the deferral, GASB Statement No. 87 is now effective for the School District's June 30, 2022 financial statements. The statement requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows or outflows of resources based on payment provisions of the lease. The statement was issued to improve accounting and financial reporting for leases by governments. The statement establishes a single model for lease accounting for both lessees and lessors based on the foundational principle that leases are financings of the right to use an underlying asset. Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset on the lessee's government-wide financial statements, and a lessor is required to recognize a lease receivable and a deferred inflow of resources on the lessor's government-wide financial statements. Furthermore, there are additional financial statement disclosures required for the lessee and lessor as a result of the standard. The School District will have to identify and analyze all significant lease contracts to determine the lease asset and lease liability or deferred inflow or outflow of resources that will be required to be recognized upon implementation of the standard. This review should include all existing lease contracts and contracts that may have embedded lease arrangements that were not previously considered.

Lessee Accounting Under GASB 87

A lessee should recognize a lease liability and a lease asset at the commencement of the lease term, unless the maximum lease term per the lease contract is 12 months or less or it transfers ownership of the underlying asset. The lease liability is measured at the present value of lease payments expected to be made during the lease term (less any lease incentives). The right-to-use asset is measured at the amount of initial measurement of the lease liability, plus any payments made to the lessor at or before commencement of the lease term and certain direct costs incurred to place the leased asset in service. The lessee should reduce the lease liability as payments are made and recognize an outflow of resources (i.e., expense) for interest on the liability. The lease asset should be amortized in a systematic and rational manner over the shorter of the lease term or the useful life of the underlying asset.

Planning for the Future with Enrollment Projections

In the course of our review, we noted that the School District is assessing its capital needs in preparation for planning a potential bond or sinking fund. Because districts rely heavily on student enrollment to determine funding, define future academic offerings, and make facility decisions, we recommend the School District conduct a pupil enrollment projection annually. Detailed projections allow your school board to adequately plan for expansion, contraction, renovation, construction, and academic opportunities, maneuvering the board into the best position to fulfill your mission. Now is an especially good time to consider this information because the rise in property values is leading to increased bonding capacity and bond passage rates.

To the extent it would be helpful, we would be happy to introduce Plante & Moran, PLLC's real estate consulting team, Plante Moran Cresa (one of four authorized enrollment projection service providers in the state of Michigan). The team has developed a projection model that has proven to be more than 99 percent accurate in helping districts predict enrollment for years into the future. It can conduct projections for the entire district or focus solely on specific buildings, grades, or areas.

Understanding and Managing Potential Threats to Your Data

Before the pandemic, education was one of the top targets for ransomware attacks. Working remotely during the pandemic has led to a global rise in cyberattacks. School districts shifted to remote learning quickly; in so doing, security controls may have been relaxed. In today's age of continual reports of cyberattacks, school districts need to be aware of where potential risks lie and how they are addressed and communicated to employees and the public.

When it comes to cybersecurity, the human element is still the weakest link and most targeted, as passwords like "August2020" can be easily guessed, and emails continue to trick people into clicking links and opening attachments. Information security is a district-wide issue, not just an IT department responsibility, requiring a combination of people, processes, and technology to effectively secure student, employee, and financial data. Now is the time to take a step back and assess exactly where your data is and the controls surrounding it.

Key questions to ask include the following:

- Do you know where all of the various data resides in the School District? Are employees storing district data with personally identifiable information (PII) or that is subject to FERPA on file-sharing sites or flash drives? Is the data being emailed to personal accounts?
- How secure is your data with at least a portion of your students and teachers working remotely?

Having an external party do an assessment on vulnerabilities may provide additional support to the IT team for initiatives it is implementing, providing peace of mind for the board that vulnerabilities have been assessed and addressed and allowing for confident communication to the public that its student and employee data is secure. If you are interested in discussing this further, we would be happy to continue the conversation.

Taking Advantage of Data Analytics within K-12 School Districts

The School District collects more data than ever before, but has it helped you take meaningful action? The complexity of drawing actionable insight from larger disparate data sources often stands in the way of making better data-driven decisions. The landscape of opportunity within advanced analytics can create order from the chaos and transform your data into actions that make a difference. Understanding the right approach is based on an assessment of the goals of the School District. Based on our experience, we suggest school districts begin considering a few initial questions:

1. How can we better understand the needs of our student population?

It has become increasingly important to develop a deeper understanding of individual student, school, and district-wide performance. Actionable insight into your student population to create data-driven strategies is achievable through advanced analytics.

2. Where might we be overspending?

When faced with tighter budgets in an evolving and fiercely competitive funding environment, schools are relying more heavily on their data than their instinct to detect leakages and eliminate inefficiencies in their operations. Leveraging advanced analytics can optimize your in-district delivery model and identify opportunities to reduce operational costs.

3. How can we develop a data-driven strategy?

A staggering volume of education data is underutilized by school districts. Asking meaningful questions about the alignment of your data vision, people, processes, technology, and data governance is the first step toward preparing a data-driven strategy.

Fraud Prevention and Detection

Over the last few years and currently in the news, the issues surrounding fraud have received increased attention. New and changing technologies have created additional threats and opportunities for fraud, as well as potential gaps in internal control. Has the School District reviewed the three components that, together, lead to fraudulent behavior?

These three components are as follows:

- Incentive (the reason to commit fraud)
- Opportunity (the ability to commit fraud)
- Rationalization/Attitude (the view of the world that makes fraud acceptable)

Generally, it is necessary for all three to be present to experience fraud. In any case, the School District can significantly impact one of the three elements: opportunity.

To the degree the School District effectively identifies the opportunities that exist and implements controls to prevent and/or detect them, the likelihood of significant fraud occurring is greatly reduced. While schools have often evaluated and revised internal controls, a continual reassessment of areas where the potential for fraud has increased is essential. By doing so, processes and controls can be effectively modified to reduce potential exposure. Studies show that being proactive with fraud prevention and detection results in a more than 50 percent reduction of losses due to fraud.

We would be happy to discuss risk assessment approaches with the School District to help refine its processes.

Battle Creek Public Schools

**Financial Report
with Supplemental Information
June 30, 2020**

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Independent Auditor's Report

To the Board of Education
Battle Creek Public Schools

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of Battle Creek Public Schools as of June 30, 2020 and the respective changes in its financial position and, where applicable, cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As described in Note 2 to the financial statements, as of July 1, 2019, the School District adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 84, *Fiduciary Activities*. Our opinion is not modified with respect to this matter.

To the Board of Education
Battle Creek Public Schools

Required Supplemental Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and other required supplemental information, as identified in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, which 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 supplemental 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 Supplemental Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Battle Creek Public Schools' basic financial statements. The other supplemental information, as identified in the table of contents, is presented for the purpose of additional analysis and is not a required part of the basic financial statements.

The other supplemental 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 basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other supplemental 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 report dated November 20, 2020 on our consideration of Battle Creek Public Schools' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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 Battle Creek Public Schools' internal control over financial reporting and compliance.

Plante & Moran, PLLC

November 20, 2020

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*

Independent Auditor's Report

To Management and the Board of Education
Battle Creek Public Schools

We have audited, 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, the financial statements of Battle Creek Public Schools (the "School District"), which comprise the basic financial statements as of June 30, 2020 and the related basic financial statements, for the year then ended, and the related notes to the financial statements and have issued our report thereon dated November 20, 2020.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

To Management and the Board of Education
Battle Creek Public Schools

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 School District'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 School District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Plante & Moreau, PLLC

November 20, 2020

This section of Battle Creek Public Schools' (the "School District") annual financial report presents our discussion and analysis of the School District's financial performance during the year ended June 30, 2020. Please read it in conjunction with the School District's financial statements, which immediately follow this section.

Using This Annual Report

This annual report consists of a series of financial statements and notes to those financial statements. These statements are organized so the reader can understand Battle Creek Public Schools financially as a whole. The government-wide financial statements provide information about the activities of the whole School District, including its governmental and business-type activities, presenting both an aggregate view of the School District's finances and a longer-term view of those finances. The fund financial statements provide the next level of detail. For governmental activities, these statements tell how services were financed in the short term and what remains for future spending. The fund financial statements look at the School District's operations in more detail than the government-wide financial statements by providing information about the School District's most significant funds, the General Fund, the W.K. Kellogg Foundation (WKKF) Grant Fund, and the Building and Site Fund, with all other funds presented in one column as nonmajor funds, as well as information on the School District's enterprise fund, which is presented separately within the proprietary fund section. The remaining statements, the statement of fiduciary net position and statement of changes in fiduciary net position, present financial information about activities for which the School District acts solely as an agent for the benefit of students and parents. This report is composed of the following elements:

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

Basic Financial Statements

Government-wide Financial Statements

Fund Financial Statements

Notes to Financial Statements

Required Supplemental Information

Budgetary Information for Major Funds

Schedules of the School District's Proportionate Share of the Net Pension
and Other Postemployment Benefits (OPEB) Liabilities

Schedules of Pension Contributions and OPEB Contributions

Other Supplemental Information

Reporting the School District as a Whole - Government-wide Financial Statements

One of the most important questions asked about the School District is, "As a whole, what is the School District's financial condition as a result of the year's activities?" The statement of net position and the statement of activities, which appear first in the School District's financial statements, report information on the School District as a whole and its activities in a way that helps you answer this question. We prepare these statements to include all assets, deferred outflows of resources, liabilities, and deferred inflows of resources, using the accrual basis of accounting, which is similar to the accounting used by most private sector companies. All of the current year's revenue and expenses are taken into account, regardless of when cash is received or paid.

These two statements report the School District's net position - the difference between assets plus deferred outflows of resources and liabilities plus deferred inflows of resources, as reported in the statement of net position - as one way to measure the School District's financial health or financial position. Over time, increases or decreases in the School District's net position - as reported in the statement of activities - are indicators of whether its financial health is improving or deteriorating. The relationship between revenue and expenses is the School District's operating results. However, the School District's goal is to provide services to our students, not to generate profits as commercial entities do. One must consider many other nonfinancial factors, such as the quality of the education provided and the safety of the schools, to assess the overall health of the School District.

The statement of net position and the statement of activities report the governmental activities for the School District, which encompass all of the School District's services, including instruction, support services, athletics, food services, community services, and capital projects. Property taxes; unrestricted state aid (foundation allowance revenue); and local, state, and federal grants finance most of these activities. The statement of net position and statement of activities also report the business-type activities for the School District, which include the science kit sales and related expenditures of the Cereal City Science operations.

Reporting the School District's Most Significant Funds - Fund Financial Statements

The School District's fund financial statements provide detailed information about the most significant funds - not the School District as a whole. Some funds are required to be established by state law and by bond covenants. However, the School District establishes many other funds to help it control and manage money for particular purposes (special revenue funds - Food Service and Math and Science Center - are examples) or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money (such as millage funds used for capital projects).

Governmental Funds

Governmental fund reporting focuses on showing how money flows into and out of funds and the balances left at year end that are available for spending. They are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the operations of the School District and the services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the School District's programs. We describe the relationship (or differences) between governmental activities (reported in the statement of net position and the statement of activities) and governmental funds in a reconciliation.

Proprietary Funds

Proprietary fund reporting focuses on the economic resources measurement and an accounting method called full accrual accounting. The proprietary fund statements present a long-term view of operations and the services it provides.

The School District as Trustee - Reporting the School District's Fiduciary Responsibilities

The School District is the trustee, or fiduciary, for its private-purpose trust funds. All of the School District's fiduciary activities are reported in a separate statement of fiduciary net position. We exclude these activities from the School District's other financial statements because the School District cannot use these assets to finance its operations. The School District is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

Battle Creek Public Schools

Management's Discussion and Analysis (Continued)

The School District as a Whole

Recall that the statement of net position provides the perspective of the School District as a whole. The following table provides a summary of the School District's net position as of June 30, 2020 and 2019:

	Governmental Activities		Business-type Activities	
	2020	2019	2020	2019
	(in millions)		(in millions)	
Assets				
Current and other assets	\$ 33.2	\$ 34.0	\$ 3.3	\$ 4.2
Capital assets	93.3	94.3	2.5	2.8
Total assets	126.5	128.3	5.8	7.0
Deferred Outflows of Resources	31.5	31.9	0.9	0.9
Liabilities				
Current liabilities	15.6	17.6	0.1	-
Noncurrent liabilities	51.6	53.8	0.2	0.4
Net pension liability	85.5	81.6	2.6	2.5
Net OPEB liability	18.4	20.8	0.6	0.6
Total liabilities	171.1	173.8	3.5	3.5
Deferred Inflows of Resources	22.5	23.8	0.7	0.7
Net Position (Deficit)				
Net investment in capital assets	45.3	44.4	2.3	2.5
Restricted	5.9	5.6	-	-
Unrestricted	(86.8)	(87.4)	0.2	1.2
Total net position (deficit)	<u>\$ (35.6)</u>	<u>\$ (37.4)</u>	<u>\$ 2.5</u>	<u>\$ 3.7</u>

The above analysis focuses on net position. The change in net position of the School District's governmental and business-type activities is discussed below. The School District's governmental and business-type net position was \$(35.6) million and \$2.5 million, respectively, at June 30, 2020. Net investment in capital assets for the governmental activities and business-type activities totaling \$45.3 million and \$2.3 million respectively, compares the original cost, less depreciation of the School District's capital assets, to long-term debt used to finance the acquisition of those assets. Most of the debt will be repaid from voter-approved property taxes collected as the debt service comes due. Restricted net position is reported separately to show legal constraints from debt covenants and enabling legislation that limit the School District's ability to use that net position for day-to-day operations. The remaining amount of governmental activities net position (\$(86.8) million) and business-type activities net position (\$0.2 million) was unrestricted.

The \$(86.8 million) in unrestricted net position of governmental activities and \$0.2 million in unrestricted business-type activities net position represent the accumulated results of all past years' operations and the impact from Governmental Accounting Standards Board (GASB) Statement Nos. 68 and 75 (recording the School District's share of the net pension and OPEB liabilities from the state-managed retirement system). Unrestricted net position, when available, would enable the School District to meet working capital and cash flow requirements, as well as to provide for future uncertainties. The operating results of the General Fund and the change in the net pension/OPEB liabilities will have significant impacts on the change in governmental activities unrestricted net position (deficit) from year to year.

Battle Creek Public Schools

Management's Discussion and Analysis (Continued)

As required by the Governmental Accounting Standards Board, the School District adopted Statement No. 84, *Fiduciary Activities*, as of July 1, 2019. This standard provides guidance on the identification and reporting of fiduciary activities and required the School District to evaluate activities to determine if they were fiduciary in nature. The standard also changed the reporting and presentation requirements of fiduciary activities. The effect of the adoption on the governmental activities was to increase July 1, 2019 beginning net position by \$180,594, which represents the activities that used to be reported as fiduciary but are now reported as governmental under GASB 84. The governmental statement of net position at June 30, 2020 and statement of activities for the year ended June 30, 2020 include all the balances and transactions for those activities that used to be reported as fiduciary but are now reported as governmental. All school districts were required to adopt this new standard, unless they elected to defer for one year, as allowed under GASB 95.

The results of this year's operations for the School District as a whole are reported in the condensed statement of activities below, which shows the changes in net position for the years ended June 30, 2020 and 2019:

	Governmental Activities		Business-type Activities	
	2020	2019	2020	2019
	(in millions)		(in millions)	
Revenue				
Program revenue:				
Charges for services	\$ 0.4	\$ 0.5	\$ 1.6	\$ 4.0
Operating grants	33.2	28.6	0.1	0.2
General revenue:				
Taxes	11.0	11.0	-	-
State aid not restricted to specific purposes	26.2	27.0	-	-
Other	1.7	1.1	-	-
Total revenue	72.5	68.2	1.7	4.2
Expenses				
Instruction	34.0	29.1	-	-
Support services	28.4	26.8	-	-
Athletics	0.9	0.9	-	-
Food services	3.8	3.4	-	-
Community services	2.4	1.3	-	-
Debt service	2.2	2.0	-	-
Cereal City Science operating expenses	-	-	2.2	2.4
Total expenses	71.7	63.5	2.2	2.4
Transfers	0.7	-	(0.7)	-
Change in Net Position	1.5	4.7	(1.2)	1.8
Net Position (Deficit) - Beginning of year (as restated)	(37.1)	(42.1)	3.7	1.9
Net Position (Deficit) - End of year	<u>\$ (35.6)</u>	<u>\$ (37.4)</u>	<u>\$ 2.5</u>	<u>\$ 3.7</u>

As reported in the statement of activities, the cost of all of our governmental activities this year was \$71.7 million. Certain activities were partially funded from those who benefited from the programs (\$0.4 million) or by other governments and organizations that subsidized certain programs with grants and contributions (\$33.2 million). We paid for the remaining public benefit portion of our governmental activities with \$11.0 million in taxes, \$26.2 million in state foundation allowance, and our other revenue (i.e., WKKF funds, interest, and general entitlements). The School District experienced an increase in governmental net position of \$1.5 million as result of decreased expenditures due to cost-cutting measures during the year.

As reported in the statement of activities, the cost of all business-type activities consist of the Cereal City Science Fund producing science kits and providing professional development training services to school districts in the State of Michigan and four surrounding states. This year, the cost was \$2.2 million and was funded by those who benefited from science kit sales (\$1.6 million). Professional development training services were significantly reduced due to the COVID-19 pandemic.

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

The School District's Funds

As we noted earlier, the School District uses funds to help it control and manage money for particular purposes. Looking at the funds helps the reader consider whether the School District is being accountable for the resources taxpayers and others provide to it and may provide more insight into the School District's overall financial health.

As the School District completed this year, the governmental funds reported a combined fund balance of \$18.0 million, which is an increase of \$1.1 million from last year. The primary reasons for the increase are as follows:

In the General Fund, our principal operating fund, the fund balance increased by \$0.2 million to \$9.2 million. The School District continues to use grant funds first rather than using General Fund budgeted expenditures, and it continues to have instructional variances filled with long-term substitutes, saving the School District health care and retirement costs.

Within the School District's proprietary fund, the Cereal City Science Fund saw a net position decrease of approximately \$1.2 million. The decrease in net position primarily was due to a significant decline in science kit sales due to the COVID-19 pandemic.

The fund balance of our Building and Site Fund increased \$0.3 million. This increase in funds primarily was due to consistent sinking fund millage revenue. The School District has created and prioritized a list of projects that will be completed over the next three years.

Within the School District's special revenue funds, the Food Service Fund saw a fund balance increase of approximately \$400,000. During the COVID-19 pandemic, the School District received a significant increase in federal funds while maintaining reasonable costs while feeding our students from March to June 30, 2020. The Math and Science Center Fund saw the fund balance remain consistent at \$100,000. The School District has seen a decrease in student participation from surrounding schools. Expenditures increased due to instructional costs for wages and fringes. The Student Activities Fund fund balance saw a nominal increase of approximately \$50,000. This is due to the fact that the School District shut down because of the COVID-19 pandemic. Specific classes completed fundraising initiatives but were not able to attend the desired event due to the pandemic closure. Funds were received or credits were made to our accounts for the next school year.

The fund balance of our Debt Service Fund increased \$0.1 million. Millage rates are determined annually to ensure that the School District accumulates sufficient resources to pay annual bond issue-related debt service. Debt Service Fund balances are reserved since they can only be used to pay debt service obligations.

Budgetary Highlights

Over the course of the year, the School District revises its budget as it attempts to deal with unexpected changes in revenue and expenditures. State law requires that the budget be amended to ensure that expenditures do not exceed appropriations. The final amendment to the budget was adopted on June 22, 2020. A schedule showing the School District's original and final budget amounts compared with amounts actually paid and received is provided in the required supplemental information of these financial statements.

Battle Creek Public Schools

Management's Discussion and Analysis (Continued)

Significant revisions were made to the 2019-2020 preliminary budget and the 2019-2020 final budget amendment for the General Fund. The final budget amendment estimated that the School District could lose \$700 per blended pupil count due to the COVID-19 pandemic. The State decreased our foundation allowance by \$175 per student, which allowed the School District to select state categorical funding to absorb that loss. The preliminary budget does not include any grant carryover allocations from state and federal grants. The School District made a budget modification in March that includes any grant revenue or expenditure changes once known. Administration and staff continue to use grant funds first rather than using General Fund budgeted expenditures. The remaining \$1.4 million in federal revenue dollars not used will be carried over to the 2020-21 school year. Due to the COVID-19 pandemic, the School District experienced cost savings in some areas of operations due to instructional staff members not being on site. Since the School District did not lose \$700 in the foundation allowance, it chose to move five key instructional leaders from the W. K. Kellogg Foundation Grant Fund back to General Fund operations. The individuals are instrumental in providing daily services to its operations.

For the major special revenue fund, budgeted revenue and expenditures were both increased by \$6 million to reflect carryover funds from the previous year of the W.K. Kellogg Foundation Grant Fund. Significant modifications were made to reflect how funds would be spent on instructional and supplemental program services.

Capital Assets and Debt Administration

Capital Assets

As of June 30, 2020, the School District had \$95.9 million invested in a broad range of capital assets, including land, buildings, vehicles, furniture, and equipment, within the governmental and business-type activities. This amount represents a net decrease (including additions, disposals, and depreciation) of approximately \$1.3 million from last year.

	Governmental Activities		Business-type Activities		Total	
	2020	2019	2020	2019	2020	2019
Land	\$ 3,913,592	\$ 3,913,592	\$ -	\$ -	\$ 3,913,592	\$ 3,913,592
Construction in progress	263,233	343,699	5,000	-	268,233	343,699
Buildings and improvements	86,901,498	87,958,604	2,250,000	2,437,320	89,151,498	90,395,924
Furniture and equipment	1,674,724	1,528,865	259,590	360,686	1,934,314	1,889,551
Vehicles	589,809	603,424	-	-	589,809	603,424
Total capital assets - Net of accumulated depreciation	<u>\$ 93,342,856</u>	<u>\$ 94,348,184</u>	<u>\$ 2,514,590</u>	<u>\$ 2,798,006</u>	<u>\$ 95,857,446</u>	<u>\$ 97,146,190</u>

We present more detailed information about our capital assets in Note 6 to the financial statements.

Debt

At the end of this year, the School District had \$44.5 million in bonds outstanding versus \$46.2 million in the previous year - a change of 3.7 percent. Those bonds consisted of the following:

	2020	2019
2016 Refunding Bonds	\$ 44,525,000	\$ 46,180,000

Other obligations include accrued vacation pay, sick leave, and capital leases. We present more detailed information about our long-term liabilities in the notes to the financial statements.

Economic Factors and Next Year's Budgets and Rates

Our elected officials and administration consider many factors when setting the School District's 2020-2021 fiscal year budget. The most significant factor for the 2020-2021 fiscal year budget was the impact on school closures in early spring 2020 due to the COVID-19 pandemic. At the time, the preliminary budget for 2020-2021 was being created, and the State was discussing a loss of \$700 on the state foundation allowance of \$8,111, bringing the new state allowance to \$7,411 per blended count. Battle Creek Public Schools would have lost approximately \$2.7 million in state aid funds had this occurred. We remain hopeful that our state aid funding will remain flat from what was received during the 2019-2020 school year, or \$8,111.

The second component of funding once the state aid allowance is set is student enrollment. The state foundation revenue is determined by multiplying the blended student count by the foundation allowance per pupil. The 2020-2021 budgets were adopted on June 22, 2020 based on estimated decline of 150 students from the 2019 fall count of students who will enroll in August 2020. Due to the impact of schools not being in session since March 16, 2020, many schools will see significant student losses for their fall count in October 2020. Legislative leadership and Governor Whitmer included in the Return to Learn plan that, for the 2020-2021 school year, membership blend would be calculated on 75 percent of the School District's 2019-2020 stated membership and 25 percent of the 2020-2021 membership. Both of these numbers would be blended according to the current formula (90 percent of the October counts, 10 percent of the February count).

Since the School District's revenue is heavily dependent on state funding and the health of the State's School Aid Fund, the actual revenue received depends on the State's ability to collect the revenue to fund its appropriation to the School District. Approximately 68 percent of the total General Fund revenue is general operations. When state reductions occur at the end of the funding year, it is impossible for school districts to create reductions in expenditures due to instructional staff members having to meet obligations for compensation and fringe benefits.

Battle Creek Public Schools

Statement of Net Position

June 30, 2020

	Governmental Activities	Business-type Activities	Total
Assets			
Cash and investments (Note 4)	\$ 12,153,141	\$ -	\$ 12,153,141
Receivables:			
Other receivables	119,240	29,527	148,767
Due from other governments	8,038,121	-	8,038,121
Internal balances (Note 7)	-	1,798,739	1,798,739
Inventories	190,239	1,466,246	1,656,485
Prepaid expenses and other assets	811,868	-	811,868
Restricted assets (Note 4)	11,906,646	-	11,906,646
Capital assets: (Note 6)			
Assets not subject to depreciation	4,176,825	5,000	4,181,825
Assets subject to depreciation - Net	89,166,031	2,509,590	91,675,621
Total assets	126,562,111	5,809,102	132,371,213
Deferred Outflows of Resources			
Deferred charges on bond refunding (Note 8)	2,866,042	-	2,866,042
Deferred pension costs (Note 11)	23,247,948	727,580	23,975,528
Deferred OPEB costs (Note 11)	5,397,808	153,442	5,551,250
Total deferred outflows of resources	31,511,798	881,022	32,392,820
Liabilities			
Accounts payable	1,162,911	8,203	1,171,114
Due to other governmental units	531,304	-	531,304
Internal balances (Note 7)	1,765,232	-	1,765,232
Accrued payroll and other liabilities	5,510,375	27,891	5,538,266
Unearned revenue (Note 5)	6,641,550	63,843	6,705,393
Noncurrent liabilities:			
Due within one year (Note 8)	2,146,549	78,689	2,225,238
Due in more than one year (Note 8)	49,440,741	156,323	49,597,064
Net pension liability (Note 11)	85,501,519	2,599,143	88,100,662
Net OPEB liability (Note 11)	18,407,044	581,361	18,988,405
Total liabilities	171,107,225	3,515,453	174,622,678
Deferred Inflows of Resources			
Revenue in support of pension contributions made subsequent to the measurement date (Note 11)	2,834,975	87,490	2,922,465
Deferred pension cost reductions (Note 11)	10,402,674	343,223	10,745,897
Deferred OPEB cost reductions (Note 11)	9,297,622	269,923	9,567,545
Total deferred inflows of resources	22,535,271	700,636	23,235,907
Net Position (Deficit)			
Net investment in capital assets	45,256,917	2,279,578	47,536,495
Restricted:			
Debt service	546,258	-	546,258
Capital projects (sinking fund)	5,352,419	-	5,352,419
Unrestricted	(86,724,181)	194,457	(86,529,724)
Total net position (deficit)	<u>\$ (35,568,587)</u>	<u>\$ 2,474,035</u>	<u>\$ (33,094,552)</u>

Battle Creek Public Schools

Statement of Activities

Year Ended June 30, 2020

	Expenses	Program Revenue		Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-type Activities	Total
Functions/Programs						
Primary government:						
Governmental activities:						
Instruction	\$ 34,010,707	\$ 91,180	\$ 13,694,260	\$ (20,225,267)	\$ -	\$ (20,225,267)
Support services	28,349,659	88,081	13,392,102	(14,869,476)	-	(14,869,476)
Athletics	883,116	56,559	32,853	(793,704)	-	(793,704)
Food services	3,794,311	163,820	4,495,638	865,147	-	865,147
Community services	2,443,041	-	1,619,077	(823,964)	-	(823,964)
Payments to other public schools	8,311	-	-	(8,311)	-	(8,311)
Interest	2,211,014	-	-	(2,211,014)	-	(2,211,014)
Total governmental activities	71,700,159	399,640	33,233,930	(38,066,589)	-	(38,066,589)
Business-type activities - Cereal City Science	2,154,235	1,634,335	68,082	-	(451,818)	(451,818)
Total primary government	\$ 73,854,394	\$ 2,033,975	\$ 33,302,012	(38,066,589)	(451,818)	(38,518,407)
General revenue:						
Taxes:						
Property taxes levied for general purposes				6,409,263	-	6,409,263
Property taxes levied for debt service				3,042,744	-	3,042,744
Property taxes levied for capital projects				1,514,963	-	1,514,963
State aid not restricted to specific purposes				26,213,968	-	26,213,968
Interest and investment earnings				50	6,833	6,883
Student activities				207,550	-	207,550
Other				1,512,922	-	1,512,922
Total general revenue				38,901,460	6,833	38,908,293
Transfers				744,473	(744,473)	-
Change in Net Position (Deficit)				1,579,344	(1,189,458)	389,886
Net Position (Deficit) - Beginning of year (as restated - Note 2)				(37,147,931)	3,663,493	(33,484,438)
Net Position (Deficit) - End of year				\$ (35,568,587)	\$ 2,474,035	\$ (33,094,552)

Battle Creek Public Schools

Governmental Funds Balance Sheet

June 30, 2020

	General Fund	WKKF Grant Fund	Building and Site Fund	Nonmajor Funds	Total Governmental Funds
Assets					
Cash and investments (Note 4)	\$ 11,036,172	\$ -	\$ -	\$ 1,116,969	\$ 12,153,141
Receivables:					
Other receivables	85,686	-	8,291	25,263	119,240
Due from other governments	7,418,870	-	-	619,251	8,038,121
Due from other funds (Note 7)	1,075,097	5,572,804	8,518	2,208,939	8,865,358
Inventories	111,528	-	-	78,711	190,239
Prepaid expenses and other assets	554,549	-	-	257,319	811,868
Restricted assets (Note 4)	5,572,743	-	5,435,442	898,461	11,906,646
Total assets	\$ 25,854,645	\$ 5,572,804	\$ 5,452,251	\$ 5,204,913	\$ 42,084,613
Liabilities					
Accounts payable	\$ 383,607	\$ 327,997	\$ 99,832	\$ 351,475	\$ 1,162,911
Due to other governmental units	531,304	-	-	-	531,304
Due to other funds (Note 7)	9,589,000	-	-	1,041,590	10,630,590
Accrued payroll and other liabilities	4,621,345	284,004	-	233,984	5,139,333
Unearned revenue (Note 5)	1,489,534	4,960,803	-	191,213	6,641,550
Total liabilities	16,614,790	5,572,804	99,832	1,818,262	24,105,688
Fund Balances					
Nonspendable:					
Inventories	111,528	-	-	78,711	190,239
Prepaid expenses and other assets	554,549	-	-	257,319	811,868
Restricted:					
Debt service	-	-	-	917,300	917,300
Food service	-	-	-	1,895,370	1,895,370
Capital projects (sinking fund)	-	-	5,352,419	-	5,352,419
Committed - Student Activities Fund	-	-	-	237,951	237,951
Assigned - Budgeted use of fund balance	1,771,662	-	-	-	1,771,662
Unassigned	6,802,116	-	-	-	6,802,116
Total fund balances	9,239,855	-	5,352,419	3,386,651	17,978,925
Total liabilities and fund balances	\$ 25,854,645	\$ 5,572,804	\$ 5,452,251	\$ 5,204,913	\$ 42,084,613

Governmental Funds

Reconciliation of the Balance Sheet to the Statement of Net Position

June 30, 2020

Fund Balances Reported in Governmental Funds	\$ 17,978,925
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and are not reported in the funds:	
Cost of capital assets	142,649,193
Accumulated depreciation	<u>(49,306,337)</u>
Net capital assets used in governmental activities	93,342,856
Deferred inflows and outflows related to bond refundings are not reported in the funds	2,866,042
Bonds payable, capital leases payable, and premiums are not due and payable in the current period and are not reported in the funds	(50,951,981)
Accrued interest is not due and payable in the current period and is not reported in the funds	(371,042)
Some employee fringe benefits are payable over a long period of years and do not represent a claim on current financial resources; therefore, they are not reported as fund liabilities:	
Employee compensated absences	(635,309)
Net pension liability and related deferred inflows and outflows	(72,656,245)
Net OPEB liability and related deferred inflows and outflows	(22,306,858)
Revenue in support of pension contributions made subsequent to the measurement date is reported as a deferred inflow of resources in the statement of net position and is not reported in the funds	<u>(2,834,975)</u>
Net Position of Governmental Activities	<u><u>\$ (35,568,587)</u></u>

Battle Creek Public Schools

Governmental Funds

Statement of Revenue, Expenditures, and Changes in Fund Balances

Year Ended June 30, 2020

	General Fund	WKKF Grant Fund	Building and Site Fund	Nonmajor Funds	Total Governmental Funds
Revenue					
Local sources	\$ 7,859,012	\$ 11,215,411	\$ 1,584,075	\$ 3,789,892	\$ 24,448,390
State sources	32,786,666	-	656,465	2,460,182	35,903,313
Federal sources	4,935,473	-	-	4,388,353	9,323,826
Intergovernmental and other sources	2,732,503	-	-	69,548	2,802,051
Total revenue	48,313,654	11,215,411	2,240,540	10,707,975	72,477,580
Expenditures					
Current:					
Instruction	26,842,865	2,455,627	-	1,297,948	30,596,440
Support services	19,117,002	5,791,541	-	1,376,796	26,285,339
Athletics	599,831	32,853	-	-	632,684
Food services	-	-	-	3,692,634	3,692,634
Community services	531,923	1,619,077	-	-	2,151,000
Debt service:					
Principal	34,498	-	-	1,655,000	1,689,498
Interest	25,327	-	-	2,254,450	2,279,777
Other debt costs	-	-	-	7,253	7,253
Capital outlay	1,099,809	1,316,313	1,905,751	519,658	4,841,531
Payments to other public schools	8,311	-	-	-	8,311
Total expenditures	48,259,566	11,215,411	1,905,751	10,803,739	72,184,467
Excess of Revenue Over (Under) Expenditures	54,088	-	334,789	(95,764)	293,113
Other Financing Sources (Uses)					
Face value of capital leases available (Note 8)	64,416	-	-	-	64,416
Transfers in (Note 7)	88,500	-	-	714,473	802,973
Transfers out (Note 7)	-	-	-	(58,500)	(58,500)
Total other financing sources	152,916	-	-	655,973	808,889
Net Change in Fund Balances	207,004	-	334,789	560,209	1,102,002
Fund Balances - Beginning of year (as restated - Note 2)	9,032,851	-	5,017,630	2,826,442	16,876,923
Fund Balances - End of year	<u>\$ 9,239,855</u>	<u>\$ -</u>	<u>\$ 5,352,419</u>	<u>\$ 3,386,651</u>	<u>\$ 17,978,925</u>

Battle Creek Public Schools

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

Year Ended June 30, 2020

Net Change in Fund Balances Reported in Governmental Funds	\$ 1,102,002
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures; however, in the statement of activities, these costs are allocated over their estimated useful lives as depreciation:	
Capitalized capital outlay	2,944,300
Depreciation expense	<u>(3,949,628)</u>
Total	(1,005,328)
Revenue in support of pension contributions made subsequent to the measurement date	64,703
Entering into capital leases provides current financial resources to governmental funds but increases long-term liabilities in the statement of net position	(64,416)
Repayment of bond principal and capital leases is an expenditure in the governmental funds but not in the statement of activities (where it reduces long-term debt); amortization of premiums/discounts and inflows/outflows related to bond refundings are not expenses in the governmental funds	1,898,403
Interest expense is recognized in the government-wide statements as it accrues	(140,142)
Some employee costs (e.g., pension, OPEB, or compensated absences) do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds	<u>(275,878)</u>
Change in Net Position of Governmental Activities	<u>\$ 1,579,344</u>

Battle Creek Public Schools

Proprietary Fund Statement of Net Position

June 30, 2020

Enterprise Fund
Cereal City
Science

Assets

Current assets:

Receivables

Due from other funds (Note 7)

Inventories

\$ 29,527
2,513,212
1,466,246

Total current assets

4,008,985

Noncurrent assets - Capital assets - Net (Note 6)

2,514,590

Total assets

6,523,575

Deferred Outflows of Resources

Deferred pension costs (Note 11)

727,580

Deferred OPEB costs (Note 11)

153,442

Total deferred outflows of resources

881,022

Liabilities

Current liabilities:

Accounts payable

8,203

Due to other funds (Note 7)

714,473

Accrued payroll and other liabilities

27,891

Unearned revenue (Note 5)

63,843

Current portion of capital lease liability (Note 8)

78,689

Total current liabilities

893,099

Noncurrent liabilities:

Net pension liability (Note 11)

2,599,143

Net OPEB liability (Note 11)

581,361

Capital lease liability, net of current portion (Note 8)

156,323

Total noncurrent liabilities

3,336,827

Deferred Inflows of Resources

Revenue in support of pension contributions made subsequent to the measurement date (Note 11)

87,490

Deferred pension cost reductions (Note 11)

343,223

Deferred OPEB cost reductions (Note 11)

269,923

Total deferred inflows of resources

700,636

Net Position

Net investment in capital assets

2,279,578

Unrestricted

194,457

Total net position

\$ 2,474,035

Battle Creek Public Schools**Proprietary Fund**
Statement of Revenue, Expenses, and Changes in Net Position**Year Ended June 30, 2020**

	<u>Enterprise Fund</u> <u>Cereal City</u> <u>Science</u>
Operating Revenue	
Charges for services	\$ 1,634,335
Operating grants	<u>68,082</u>
Total operating revenue	1,702,417
Operating Expenses	
Other operating and maintenance costs	78,808
Outreach	1,364,064
Administrative	303,293
Support costs	276,305
Depreciation (unallocated) (Note 6)	<u>131,765</u>
Total operating expenses	<u>2,154,235</u>
Operating Loss	(451,818)
Nonoperating Revenue - Interest income	6,833
Transfers Out (Note 7)	<u>(744,473)</u>
Change in Net Position	(1,189,458)
Net Position - Beginning of year	<u>3,663,493</u>
Net Position - End of year	<u><u>\$ 2,474,035</u></u>

Battle Creek Public Schools

Proprietary Fund Statement of Cash Flows

Year Ended June 30, 2020

	<u>Enterprise Fund</u> <u>Cereal City</u> <u>Science</u>
Cash Flows from Operating Activities	
Cash receipts from sales and user charges	\$ 1,730,624
Payments to suppliers	(65,085)
Payments to employees and fringes	(903,046)
Cash received from other governments	395,613
Cash payments for other operating expenses	<u>(336,777)</u>
Net cash provided by operating activities	821,329
Cash Flows from Noncapital Financing Activities - Transfer to other funds	(744,473)
Cash Flows from Capital and Related Financing Activities	
Purchase of capital assets	(5,000)
Principal payments made on capital lease	<u>(78,689)</u>
Net cash used in capital and related financing activities	(83,689)
Cash Flows Provided by Investing Activities - Interest received	<u>6,833</u>
Net Change in Cash	-
Cash - Beginning of year	<u>-</u>
Cash - End of year	<u><u>\$ -</u></u>
Reconciliation of Operating Loss to Net Cash from Operating Activities	
Operating loss	\$ (451,818)
Adjustments to reconcile operating loss to net cash from operating activities:	
Depreciation	131,765
Loss on disposal of property and equipment	156,651
Changes in assets and liabilities:	
Receivables	371,731
Due to and from other funds	520,353
Inventories and other assets	(6,240)
Net pension and OPEB liability	36,602
Deferrals related to pension or OPEB	(25,898)
Accrued and other liabilities	<u>88,183</u>
Total adjustments	<u>1,273,147</u>
Net cash provided by operating activities	<u><u>\$ 821,329</u></u>

Battle Creek Public Schools

Fiduciary Fund Statement of Fiduciary Net Position

June 30, 2020

Private-purpose
Trust Fund

Assets - Cash and investments (Note 4)

\$ 2,397,834

Liabilities

Accounts payable

480

Due to other funds (Note 7)

33,507

Total liabilities

33,987

Net Position

\$ 2,363,847

Battle Creek Public Schools

Fiduciary Fund Statement of Changes in Fiduciary Net Position

Year Ended June 30, 2020

	Private-purpose Trust Fund
Revenue	
Contributions	\$ 94,735
Investment gain	3,026
Total revenue	97,761
Expenses - Scholarships	19,244
Change in Net Position	78,517
Net Position - Beginning of year	2,285,330
Net Position - End of year	\$ 2,363,847

June 30, 2020**Note 1 - Nature of Business**

Battle Creek Public Schools (the "School District") is a school district in the state of Michigan that provides educational services to students.

Note 2 - Significant Accounting Policies***Accounting and Reporting Principles***

The School District follows accounting principles generally accepted in the United States of America (GAAP), as applicable to governmental units. Accounting and financial reporting pronouncements are promulgated by the Governmental Accounting Standards Board. The following is a summary of the significant accounting policies used by the School District:

Reporting Entity

The School District is governed by an elected seven-member Board of Education. In accordance with government accounting principles, there are no separate legal entities appropriate to be reported within these financial statements.

Report Presentation

Governmental accounting principles require that financial reports include two different perspectives - the government-wide perspective and the fund-based perspective. The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units as applicable. The government-wide financial statements are presented on the economic resources measurement focus and the full accrual basis of accounting. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. The statements also present a schedule reconciling these amounts to the modified accrual-based presentation found in the fund-based statements.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenue. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenue includes: (1) charges to customers or applicants for goods, services, or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions, including special assessments. Taxes, unrestricted intergovernmental receipts, and other items not properly included among program revenue are reported instead as general revenue.

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

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

June 30, 2020**Note 2 - Significant Accounting Policies (Continued)*****Fund Accounting***

The School District accounts for its various activities in several different funds in order to demonstrate accountability for how it spends certain resources; separate funds allow the School District to show the particular expenditures for which specific revenue is used. The various funds are aggregated into the following fund types:

Governmental Funds

Governmental funds include all activities that provide general governmental services that are not business-type activities. Governmental funds can include the General Fund, special revenue funds, debt service funds, and capital projects funds. The School District reports the following funds as major governmental funds:

- The General Fund is the primary operating fund because it accounts for all financial resources used to provide government services other than those specifically assigned to another fund.
- The special revenue fund, the W.K. Kellogg Foundation (WKKF) Grant Fund, is used to account for the proceeds of specific revenue sources that are restricted to expenditures for specified purposes. Revenue sources for the WKKF Grant Fund include a dedicated grant received from local sources. Any operating deficit generated by these activities is the responsibility of the General Fund.
- The Building and Site Fund is a capital projects fund that is used to account for resources specifically designed for the acquisition and construction of facilities and for major capital improvements to facilities related to a sinking fund millage approved by the taxpayers. Activities related to the sinking fund millage are recorded in the Building and Site Fund. Such revenue can only be expendable for allowable capital projects purposes in accordance with the initial ballot language.

Additionally, the School District reports the following nonmajor governmental fund types:

- Special revenue funds are used to account for the proceeds of specific revenue sources that are restricted or committed to expenditures for specified purposes. The School District's special revenue funds are the Food Service Fund, the Math and Science Center Fund, and the Student Activities Fund. Revenue sources for the Food Service Fund include sales to customers and dedicated grants from state and federal sources. Revenue sources for the Math and Science Center Fund include sales to customers and dedicated grants from state sources. Lastly, revenue sources for the Student Activities Fund includes fundraising revenue and donations earned and received by student groups. Any operating deficit generated by these activities is the responsibility of the General Fund.
- The Debt Service Fund is the School District's only debt service fund. The fund is used to record property tax revenue and the corresponding principal and interest payments for the 2016 Refunding Bonds.

Proprietary Funds

Proprietary funds include enterprise funds, which provide goods or services to users in exchange for charges or fees. The School District reports the Cereal City Science Fund as a major enterprise fund. Revenue for the Cereal City Science Fund is generated from the sales of Cereal City science kits to other districts throughout the country.

June 30, 2020**Note 2 - Significant Accounting Policies (Continued)****Fiduciary Funds**

Fiduciary funds include amounts held in a fiduciary capacity for others. These amounts are not used to operate the School District's programs. The School District reports the Private-purpose Trust Fund as a fiduciary fund. The Private-purpose Trust Fund is used to account for resources legally held in trust, including contributions received by the School District to be awarded in the form of scholarships.

Interfund Activity

During the course of operations, the School District has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds and advances to/from other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities (i.e., the governmental and internal service funds) are eliminated so that only the net amount is included as internal balances in the governmental activities column.

Furthermore, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements, these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column.

Basis of Accounting

The governmental funds use the current financial resources measurement focus and the modified accrual basis of accounting. This basis of accounting is intended to better demonstrate accountability for how the School District has spent its resources.

Expenditures are reported when the goods are received or the services are rendered. Capital outlays are reported as expenditures (rather than as capital assets) because they reduce the ability to spend resources in the future; conversely, employee benefit costs that will be funded in the future (such as pension and retiree health care-related costs or sick and vacation pay) are not accounted for until they come due for payment. In addition, debt service expenditures, claims, and judgments are recorded only when payment is due.

Revenue is not recognized until it is collected or collected soon enough after the end of the year that it is available to pay for obligations outstanding at the end of the year. For this purpose, the School District considers amounts collected within 60 days of year end to be available for recognition. Revenue not meeting this definition is classified as a deferred inflow of resources.

Fiduciary and proprietary funds use the economic resources measurement focus and the full accrual basis of accounting. Revenue is recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Specific Balances and Transactions**Cash and Investments**

Cash and investments include cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value except for investments in external investment pools, which are valued at amortized cost. Pooled investment income is generally allocated to each fund using a weighted average of balance for the principal. Private-purpose Trust Fund investment income is directly allocated to that fund.

June 30, 2020

Note 2 - Significant Accounting Policies (Continued)**Inventories and Prepaid Items**

Inventories are valued at cost on a first-in, first-out basis. Inventories are recorded as expenditures when consumed rather than when purchased. The Cereal City Science Fund inventory consists of supplies and materials to be compiled into kits that are sold primarily to other districts. Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both government-wide and fund financial statements when applicable.

Restricted Assets

The unspent property tax revenue of the Debt Service Fund requires amounts to be set aside for future bond payments, the unspent property taxes levied in the sinking fund are required to be set aside for future approved sinking fund projects, and the unspent proceeds from W.K. Kellogg Foundation held in the General Fund are required to be set aside for future expenditures of the WKKF Grant Fund. These amounts have been classified as restricted assets and consist of cash and investments.

Capital Assets

Capital assets, which include land, buildings and improvements, equipment, and vehicles, are reported in the applicable governmental activities and business-type activities columns in the government-wide financial statements. Capital assets are defined by the School District as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated acquisition value at the date of donation. Costs of normal repair and maintenance that do not add to the value or materially extend the asset life are not capitalized.

Capital assets are depreciated using the straight-line method over the following useful lives:

	<u>Depreciable Life - Years</u>
Buildings and improvements	10-50 years
Furniture and equipment	5-20 years
Vehicles	7 years

Long-term Obligations

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

In the fund financial statements, governmental fund types recognize bond issuances and premiums as other financing sources and bond discounts as other financing uses. The debt service funds are generally used to liquidate governmental long-term debt.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position and/or balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to future periods and will not be recognized as an outflow of resources (expense/expenditure) until then.

June 30, 2020**Note 2 - Significant Accounting Policies (Continued)**

The School District reports deferred outflows related to deferred charges on refundings and deferred pension and OPEB costs.

In addition to liabilities, the statement of net position and/or balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to future periods and will not be recognized as an inflow of resources (revenue) until that time.

The School District reports deferred inflows related to revenue in support of pension contributions made subsequent to the measurement date and deferred pension and OPEB plan cost reductions.

Net Position

Net position of the School District is classified in three components. Net investment in capital assets consists of capital assets net of accumulated depreciation and is reduced by the current balances of any outstanding borrowings used to finance the purchase or construction of those assets. The restricted component of net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Unrestricted net position is the remaining net position that does not meet the definition of invested in capital or restricted.

Net Position Flow Assumption

The School District will sometimes fund outlays for a particular purpose from both restricted and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position in the government-wide and proprietary fund financial statements (as applicable), a flow assumption must be made about the order in which the resources are considered to be applied. It is the School District's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

Fund Balance Flow Assumptions

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

Fund Balance Policies

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The nonspendable fund balance component represents amounts that are not in spendable form or are legally or contractually required to be maintained intact. Restricted fund balance represents amounts that are legally restricted by outside parties, constitutional provisions, or enabling legislation for use for a specific purpose. The School District itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the School District's highest level of decision-making authority. The Board of Education is the highest level of decision-making authority for the School District that can, by passing a resolution prior to the end of the fiscal year, commit fund balance. Once passed, the limitation imposed by the resolution remains in place until a similar action is taken (the passing of another resolution) to remove or revise the limitation.

June 30, 2020**Note 2 - Significant Accounting Policies (Continued)**

Amounts in the assigned fund balance classification are intended to be used by the government for specific purposes but do not meet the criteria to be classified as committed. The School District has, by resolution, authorized the executive director of business and finance to assign fund balance. The Board of Education may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally exist only temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

Property Tax Revenue

Properties are assessed as of December 31, and the related property taxes become a lien on July 1 for approximately 50 percent of the taxes that are due on August 20 and December 1 for the remainder of the property taxes, which are due on February 14. The final collection date is February 28, after which delinquent real property taxes are added to the county tax rolls. The School District considers all receivables to be fully collectible; accordingly, no allowance for uncollectible amounts is recorded.

Grants and Contributions

The School District receives federal, state, and local grants, as well as contributions from individuals and private organizations. Revenue from grants and contributions (including contributions of capital assets) is recognized when all eligibility requirements, including time requirements, are met. Grants and contributions may be restricted for either specific operating purposes or for capital purposes. Amounts that are unrestricted or that are restricted to a specific operating purpose are reported as nonoperating revenue. Amounts restricted to capital acquisitions are reported after nonoperating revenue and expenses.

Pension and Other Postemployment Benefit (OPEB) Plans

For purposes of measuring the net pension and net OPEB liabilities, deferred outflows of resources and deferred inflows of resources related to each plan, and pension and OPEB expense, information about the fiduciary net position of the Michigan Public School Employees' Retirement System (MPERS) and additions to/deductions from the MPERS fiduciary net position have been determined on the same basis as they are reported by MPERS. MPERS uses the economic resources measurement focus and the full accrual basis of accounting. Contribution revenue is recorded as contributions are due, pursuant to legal requirements. Benefit payments (including refunds of employee contributions) are recognized as expenses when due and payable in accordance with the plan benefit terms. Related plan investments are reported at fair value.

Compensated Absences (Vacation and Sick Leave)

It is the School District's policy to permit certain employees to accumulate earned but unused sick and vacation pay benefits. Sick pay is accrued for the estimated amount that the School District will pay upon employment termination; vacation pay is accrued when incurred. Both of these are reported in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only for employee terminations as of year end. Generally, the funds that report each employee's compensation are used to liquidate the obligations.

Use of Estimates

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

June 30, 2020

Note 2 - Significant Accounting Policies (Continued)***Adoption of New Accounting Pronouncement***

During the current year, the School District adopted GASB Statement No. 84, *Fiduciary Activities*, which establishes criteria for identifying and reporting fiduciary activities. As a result of implementing this standard, the activities of the Student Activities Fund were previously reported as fiduciary activities but no longer meet the definition of such and, therefore, are no longer reported in these statements as a fiduciary fund.

The effect of this new standard on fund balance/net position was as follows:

	Governmental Activities	Nonmajor Funds
Net position/fund balance - June 30, 2019 (as previously reported)	\$ (37,328,525)	\$ 2,645,848
Adjustment for GASB Statement No. 84 to change fund type	180,594	180,594
Net position/fund balance - June 30, 2019 (as restated)	<u>\$ (37,147,931)</u>	<u>\$ 2,826,442</u>

Upcoming Accounting Pronouncement

In June 2017, the GASB issued Statement No. 87, *Leases*, which improves accounting and financial reporting for leases by governments. This statement requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. The School District is currently evaluating the impact this standard will have on the financial statements when adopted. The provisions of this statement were originally effective for the School District's financial statements for the year ending June 30, 2021 but were extended to June 30, 2022 with the issuance of GASB Statement No. 95, *Postponement of the Effective Date of Certain Authoritative Guidance*.

Note 3 - Stewardship, Compliance, and Accountability***Budgetary Information***

Annual budgets are adopted on a basis consistent with generally accepted accounting principles and state law for the General Fund and major special revenue funds, except that capital outlay expenditures are reported in other expenditure categories, and proceeds from the sale of capital assets are reported in local revenue. All annual appropriations lapse at fiscal year end.

The budget document presents information by fund and combined function. The legal level of budgetary control adopted by the governing body (i.e., the level at which expenditures may not legally exceed appropriations) is the combined function level. State law requires the School District to have its budget in place by July 1. Expenditures in excess of amounts budgeted are a violation of Michigan law. State law permits districts to amend their budgets during the year. During the year, the budget was amended in a legally permissible manner. The School District changed budgeted amounts during the year in response to state aid and other funding changes.

Encumbrance accounting is employed in governmental funds. Encumbrances (e.g., purchase orders or contracts) are not tracked during the year. Budget appropriations are considered to be spent once the goods are delivered or the services rendered.

June 30, 2020

Note 3 - Stewardship, Compliance, and Accountability (Continued)***Excess of Expenditures Over Appropriations in Budgeted Funds***

During the year, the School District incurred expenditures in the General Fund and WKKF Grant Fund that were in excess of the amounts budgeted as follows:

	Budget	Actual
General Fund - Central	\$ 1,916,934	\$ 2,277,372
General Fund - Debt service	-	59,825
WKKF Grant Fund - School administration	161,580	201,825
WKKF Grant Fund - Capital outlay	857,020	1,316,313

The budget and actual information for the WKKF Grant Fund is presented in the same format as the adopted budget, which includes some classification differences from amounts reported in the statement of revenue, expenditures, and changes in fund balance.

Capital Projects Fund Compliance

The Building and Site Fund records capital project activities funded with sinking fund millage. For this fund, authorized prior to March 29, 2017, the School District has complied with the applicable provisions of §1212 of the State of Michigan Revised School Code and the State of Michigan Department of Treasury Letter No. 01-95.

Note 4 - Deposits and Investments

State statutes and the School District's investment policy authorize the School District to make deposits in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The School District is allowed to invest in U.S. Treasury or agency obligations, U.S. government repurchase agreements, bankers' acceptances, certificates of deposit, commercial paper rated prime at the time of purchase that matures no more than 270 days after the date of purchase, mutual funds, and investment pools that are composed of authorized investment vehicles. The School District's deposits and investments are in accordance with statutory authority.

The School District has designated four banks for the deposit of its funds.

There are no limitations or restrictions on participant withdrawals for the investment pools that are recorded at amortized cost, except that the Michigan Liquid Asset Fund - MAX Class investment may not be redeemed for at least 14 calendar days with the exception of direct investments of funds distributed by the State of Michigan. In addition, redemptions made prior to the 14-day period are subject to a penalty equal to 15 days' interest on the amount so redeemed. The Michigan Liquid Asset Fund - Cash Management investment has no limitations or restrictions on participant withdrawals except for a one-day minimum investment period.

The School District's cash and investments are subject to several types of risk, which are examined in more detail below:

Custodial Credit Risk of Bank Deposits

Custodial credit risk is the risk that, in the event of a bank failure, the School District's deposits may not be returned to it. The School District does not have a deposit policy for custodial credit risk. At year end, the School District had \$18,209,108 of bank deposits (certificates of deposit and checking and savings accounts) that were uninsured and uncollateralized. The School District believes that, due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the School District evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

June 30, 2020

Note 4 - Deposits and Investments (Continued)

Custodial Credit Risk of Investments

Custodial credit risk is the risk that, in the event of the failure of the counterparty, the School District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The School District does not have a policy for custodial credit risk. As identified below, the School District has nonconforming investments that were previously donated and are held by the counterparty's trust department in the School District's name.

Investment Type	Carrying Value	How Held
Stocks	\$ 1,050,000	Held by counterparty's trust department in School District's name
Corporate notes	1,132,016	Held by counterparty's trust department in School District's name
Total	<u>\$ 2,182,016</u>	

Interest Rate Risk

Interest rate risk is the risk that the value of investments will decrease as a result of a rise in interest rates. The School District's investment policy restricts investment maturities to within five years of the date of purchase except for commercial paper, which can only be purchased with a 270-day maturity. In addition, no more than 25 percent of the School District's portfolio may be invested in investments with a maturity of greater than three years. However, some of the investments in the School District's portfolio have maturities greater than five years from the date of purchase. As of June 30, 2020, the School District holds approximately \$262,000 of investments that have maturities greater than five years.

Credit Risk

State law limits investments in commercial paper to the top two ratings issued by nationally recognized statistical rating organizations. The School District has no investment policy that would further limit its investment choices. As of June 30, 2020, the credit quality ratings of debt securities (other than the U.S. government) are as follows:

Investment	Carrying Value	Rating	Rating Organization
Michigan Liquid Asset Fund - MAX Class	\$ 3,209,421	AAAm	S&P
Michigan Liquid Asset Fund - Cash Management	3,435,054	AAAm	S&P
Corporate notes	1,132,016	Various	Various
Stocks	1,050,000	Various	Various
Total	<u>\$ 8,826,491</u>		

Concentration of Credit Risk

The School District places no limit on the amount it may invest in U.S. Treasury debt obligations, U.S. agency debt obligations, or SEC-registered money market funds. With the previous exception, the School District's policy states that no one issuer or group of issuers from the same holding company can exceed 5 percent of the market value of the portfolio at the time of purchase. The School District does not have more than 5 percent of its investments in any one issue.

June 30, 2020

Note 4 - Deposits and Investments (Continued)

Foreign Currency Risk

Foreign currency risk is the risk that an investment denominated in the currency of a foreign country could reduce its U.S. dollar value as a result of changes in foreign currency exchange rates. State law and the School District's investment policy prohibit investments in foreign currency.

Fair Value Measurements

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

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

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

Assets Measured at Carrying Value on a Recurring Basis at June 30, 2020				
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance at June 30, 2020
Assets				
Debt securities - Corporate bonds	\$ -	\$ 1,132,016	\$ -	\$ 1,132,016
Equity securities:				
Domestic stock	861,759	-	-	861,759
International stock	54,817	-	-	54,817
Mutual funds	133,424	-	-	133,424
Total equity securities	1,050,000	-	-	1,050,000
Total assets	\$ 1,050,000	\$ 1,132,016	\$ -	\$ 2,182,016

Equity securities classified in Level 1 are valued using prices quoted in active markets for those securities.

The fair value of debt securities at June 30, 2020 was determined primarily based on Level 2 inputs. The School District estimates the fair value of these investments using other inputs, such as interest rates and yield curves, that are observable at commonly quoted intervals.

Note 5 - Unavailable/Unearned Revenue

Governmental funds report unavailable revenue in connection with receivables for revenue that is not considered to be available to liquidate liabilities of the current period. Governmental funds also report unearned revenue recognition in connection with resources that have been received but not yet earned.

At June 30, 2020, the School District had no unavailable revenue and \$6,705,393 of unearned revenue, primarily related to grant and categorical aid payment received prior to meeting all eligibility requirements.

June 30, 2020

Note 6 - Capital Assets

Capital asset activity of the School District's governmental and business-type activities was as follows:

Governmental Activities

	Balance July 1, 2019	Reclassifications	Additions	Disposals and Adjustments	Balance June 30, 2020
Capital assets not being depreciated:					
Land	\$ 3,913,592	\$ -	\$ -	\$ -	\$ 3,913,592
Construction in progress	343,699	(343,699)	263,233	-	263,233
Subtotal	4,257,291	(343,699)	263,233	-	4,176,825
Capital assets being depreciated:					
Buildings and improvements	122,437,622	274,252	1,763,060	-	124,474,934
Furniture and equipment	11,758,859	69,447	918,007	-	12,746,313
Vehicles	1,251,121	-	-	-	1,251,121
Subtotal	135,447,602	343,699	2,681,067	-	138,472,368
Accumulated depreciation:					
Buildings and improvements	34,479,018	-	3,094,418	-	37,573,436
Furniture and equipment	10,229,994	-	841,595	-	11,071,589
Vehicles	647,697	-	13,615	-	661,312
Subtotal	45,356,709	-	3,949,628	-	49,306,337
Net capital assets being depreciated	90,090,893	343,699	(1,268,561)	-	89,166,031
Net governmental activities capital assets	<u>\$ 94,348,184</u>	<u>\$ -</u>	<u>\$ (1,005,328)</u>	<u>\$ -</u>	<u>\$ 93,342,856</u>

Business-type Activities

	Balance July 1, 2019	Reclassifications	Additions	Disposals and Adjustments	Balance June 30, 2020
Cereal City Science					
Capital assets not being depreciated - Construction in progress	\$ -	\$ -	\$ 5,000	\$ -	\$ 5,000
Capital assets being depreciated:					
Buildings and improvements	2,861,600	-	-	(161,600)	2,700,000
Furniture and equipment	560,255	-	-	(93,325)	466,930
Subtotal	3,421,855	-	-	(254,925)	3,166,930
Accumulated depreciation:					
Buildings and improvements	424,280	-	54,000	(28,280)	450,000
Furniture and equipment	199,569	-	77,765	(69,994)	207,340
Subtotal	623,849	-	131,765	(98,274)	657,340
Net capital assets being depreciated	2,798,006	-	(131,765)	(156,651)	2,509,590
Net business-type activities capital assets	<u>\$ 2,798,006</u>	<u>\$ -</u>	<u>\$ (126,765)</u>	<u>\$ (156,651)</u>	<u>\$ 2,514,590</u>

June 30, 2020

Note 6 - Capital Assets (Continued)

Depreciation expense was charged to programs of the primary government as follows:

Governmental activities:	
Instruction	\$ 3,048,118
Support services	311,595
Community services	288,243
Food services	57,284
Athletics	244,388
	<u>3,949,628</u>
Total governmental activities	<u>\$ 3,949,628</u>

Note 7 - Interfund Receivables, Payables, and Transfers

The composition of interfund balances is as follows:

Fund Due To	Primary Government				
	Fund Due From				
	General Fund	Fiduciary Funds	Cereal City Science Fund	Nonmajor Governmental Funds	Total
General Fund	\$ -	\$ 33,507	\$ -	\$ 1,041,590	\$ 1,075,097
WKKF Grant Fund	5,572,804	-	-	-	5,572,804
Nonmajor governmental funds	1,494,466	-	714,473	-	2,208,939
Cereal City Science Fund	2,513,212	-	-	-	2,513,212
Building and Site Fund	8,518	-	-	-	8,518
Total	\$ 9,589,000	\$ 33,507	\$ 714,473	\$ 1,041,590	\$ 11,378,570

Governmental interfund balances represent routine and temporary cash flow assistance until amounts are transferred from investment accounts.

Interfund transfers reported in the fund financial statements are composed of the following:

Receiving Fund (Transfer In)	Paying Fund (Transfer Out)	Amount
General Fund	Food Service Fund	\$ 58,500
	Cereal City Science Fund	30,000
	Total General Fund	88,500
Math and Science Center Fund	Cereal City Science Fund	714,473
	Total	<u>\$ 802,973</u>

June 30, 2020

Note 7 - Interfund Receivables, Payables, and Transfers (Continued)

Transfers from the Food Service Fund and Cereal City Science Fund to the General Fund, and from the Cereal City Science Fund to the Math and Science Center Fund, were transferred to cover excess costs related to operations of the funds for the purposes for which they were created.

Note 8 - Long-term Debt

Long-term debt activity for the year ended June 30, 2020 can be summarized as follows:

Governmental Activities

	Beginning Balance	Additions	Reductions	Ending Balance	Due within One Year
Bonds payable:					
Other debt - General					
obligations bonds payable	\$ 46,180,000	\$ -	\$ (1,655,000)	\$ 44,525,000	\$ 1,740,000
Unamortized bond premiums	6,728,672	-	(380,868)	6,347,804	380,868
Total bonds payable	52,908,672	-	(2,035,868)	50,872,804	2,120,868
Capital leases	49,259	64,416	(34,498)	79,177	25,681
Compensated absences	870,332	-	(235,023)	635,309	-
Total governmental activities long-term debt	<u>\$ 53,828,263</u>	<u>\$ 64,416</u>	<u>\$ (2,305,389)</u>	<u>\$ 51,587,290</u>	<u>\$ 2,146,549</u>

Business-type Activities

	Beginning Balance	Additions	Reductions	Ending Balance	Due within One Year
Capital leases	\$ 313,701	\$ -	\$ (78,689)	\$ 235,012	\$ 78,689

The School District had deferred outflows of \$2,866,042 related to deferred charges on bond refundings at June 30, 2020.

General Obligation Bonds and Contracts

The School District issues general obligation bonds to provide for the acquisition and construction of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the School District. The primary source of any required repayment is from the School District's property tax levy; however, the State of Michigan may withhold the School District's state aid funding in order to recover amounts it has paid on behalf of the School District. General obligations outstanding at June 30, 2020 are as follows:

Purpose	Year Issued	Interest Rates	Maturing	Outstanding
\$49,265,000 refunding bonds (2016)	2016	4.00 - 5.00	2037	\$ 44,525,000

June 30, 2020

Note 8 - Long-term Debt (Continued)***Debt Service Requirements to Maturity***

Annual debt service requirements to maturity for the above bond obligation are as follows:

Years Ending June 30	Governmental Activities		
	Other Debt		Total
	Principal	Interest	
2021	\$ 1,740,000	\$ 2,171,200	\$ 3,911,200
2022	1,825,000	2,084,200	3,909,200
2023	1,920,000	1,992,950	3,912,950
2024	2,015,000	1,896,950	3,911,950
2025	2,115,000	1,796,200	3,911,200
2026-2030	12,265,000	7,285,750	19,550,750
2031-2035	15,385,000	4,166,950	19,551,950
2036-2037	7,260,000	549,000	7,809,000
Total	<u>\$ 44,525,000</u>	<u>\$ 21,943,200</u>	<u>\$ 66,468,200</u>

Capital Leases

The School District has entered into multiple capital leases for copier use throughout the School District that expire in 2023 and 2024. The total original capital lease liability is \$538,952, with interest rates ranging from 6.14 percent to 7.10 percent and monthly payments between \$254 and \$7,981. The balance of the capital lease liability as of June 30, 2020 is \$314,189. The cost and related accumulated depreciation on the capital leases is included within capital assets and further disclosed in Note 6.

Bond Refunding

In previous years, the School District defeased certain bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account's assets and liabilities for the defeased bonds are not included in the basic financial statements. As of June 30, 2020, there is still \$48,840,000 of bonds outstanding that is considered defeased.

Note 9 - Operating Leases

The building and real estate used by Willard Library are being leased from the School District for \$1 per year, with an indefinite lease period. The fair market value of this lease is not known.

Note 10 - Risk Management

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

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

June 30, 2020**Note 11 - Michigan Public School Employees' Retirement System*****Plan Description***

The School District participates in the Michigan Public School Employees' Retirement System (the "System"), a statewide, cost-sharing, multiple-employer defined benefit public employee retirement system governed by the State of Michigan that covers substantially all employees of the School District. Certain school district employees also receive defined contribution retirement and health care benefits through the System. The System provides retirement, survivor, and disability benefits to plan members and their beneficiaries. The System also provides postemployment health care benefits to retirees and beneficiaries who elect to receive those benefits.

The System is administered by the Office of Retirement Services (ORS). The Michigan Public School Employees' Retirement System issues a publicly available financial report that includes financial statements and required supplemental information for the pension and postemployment health care plans. That report is available on the web at <http://www.michigan.gov/orsschools> or by writing to the Office of Retirement Services at 7150 Harris Drive, P.O. Box 30171, Lansing, MI 48909.

Benefits Provided

Benefit provisions of the defined benefit (DB) pension plan and the postemployment health care 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 pension plan and the postemployment health care plan.

Depending on the plan option selected, member retirement benefits are calculated as final average compensation times years of services times a pension factor ranging from 1.25 percent to 1.50 percent. The requirements to retire range from attaining the age of 46 to 60 with years of service ranging from 5 to 30 years, depending on when the employee became a member. Early retirement is computed in the same manner as a regular pension but is permanently reduced 0.50 percent for each full and partial month between the pension effective date and the date the member will attain age 60. There is no mandatory retirement age.

Depending on the member's date of hire, MPSERS offers the option of participating in the defined contribution (DC) plan that provides a 50 percent employer match (up to 3 percent of salary) on employee contributions.

Members are eligible for nonduty disability benefits after 10 years of service and for duty-related disability benefits upon hire. Disability retirement benefits are determined in the same manner as retirement benefits but are payable immediately without an actuarial reduction. The disability benefits plus authorized outside earnings are limited to 100 percent of the participant's final average compensation, with an increase of 2 percent each year thereafter.

Benefits may transfer to a beneficiary upon death and are determined in the same manner as retirement benefits but with an actuarial reduction.

Benefit terms provide for annual cost of living adjustments to each employee's retirement allowance subsequent to the employee's retirement date. The annual adjustment, if applicable, is 3 percent. Some members who do not receive an annual increase are eligible to receive a supplemental payment in those years when investment earnings exceed actuarial assumptions.

MPSERS provides medical, prescription drug, dental, and vision coverage for retirees and beneficiaries. A subsidized portion of the premium is paid by MPSERS, with the balance deducted from the monthly pension of each retiree health care recipient. Depending on the member's date of hire, this subsidized portion ranges from 80 percent to the maximum allowed by the statute.

June 30, 2020

Note 11 - Michigan Public School Employees' Retirement System (Continued)***Contributions***

Public Act 300 of 1980, as amended, required the School District to contribute amounts necessary to finance the coverage of pension benefits of active and retired members. Contribution provisions are specified by state statute and may be amended only by action of the state Legislature. Under these provisions, each school district's contribution is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance a portion of the unfunded accrued liability.

Under the OPEB plan, retirees electing this coverage contribute an amount equivalent to the monthly cost for Part B Medicare and 10 percent, or 20 percent for those not Medicare eligible, of the monthly premium amount for the health, dental, and vision coverage at the time of receiving the benefits. The MPSERS board of trustees annually sets the employer contribution rate to fund the benefits. Participating employers are required to contribute at that rate.

Under Public Act 300 of 2012, members were given the choice between continuing the 3 percent contribution to retiree health care and keeping the premium subsidy benefit described above or choosing not to pay the 3 percent 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 health care expenses in retirement. Participants in the PHF are automatically enrolled in a 2 percent employee contribution into their 457 account as of their transition date, earning them a 2 percent employer match into a 401(k) account. Members who selected this option stopped paying the 3 percent contribution to retiree health care as of the day before their transition date, and their prior contributions were deposited into their 401(k) account.

The School District's contributions are determined based on employee elections. There are multiple different pension and health care benefit options included in the plan available to employees based on date of hire and the elections available at that time. Contribution rates are adjusted annually by the ORS.

The ranges of rates are as follows:

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

Depending on the plan selected, member pension contributions range from 0 percent up to 7.0 percent of gross wages. For certain plan members, a 4 percent employer contribution to the defined contribution pension plan is required. In addition, for certain plan members, a 3 percent employer match is provided to the defined contribution pension plan.

The School District's required and actual pension contributions to the plan for the year ended June 30, 2020 were \$7,615,210, which include the School District's contributions required for those members with a defined contribution benefit. The School District's required and actual pension contributions include an allocation of \$2,922,465 in revenue received from the State of Michigan and remitted to the System to fund the MPSERS unfunded actuarial accrued liability (UAAL) stabilization rate for the year ended June 30, 2020.

The School District's required and actual OPEB contributions to the plan for the year ended June 30, 2020 were \$2,049,346, which include the School District's contributions required for those members with a defined contribution benefit.

June 30, 2020

Note 11 - Michigan Public School Employees' Retirement System (Continued)***Net Pension Liability***

At June 30, 2020, the School District reported a liability of \$88,100,662 for its proportionate share of the net pension liability. The net pension liability was measured as of September 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of September 30, 2018, which used update procedures to roll forward the estimated liability to September 30, 2019. The School District's proportion of the net pension liability was based on a projection of its long-term share of contributions to the pension plan relative to the projected contributions of all participating reporting units, actuarially determined. At September 30, 2019 and 2018, the School District's proportion was 0.2660 and 0.2797 percent, respectively, representing a change of (4.88) percent.

Net OPEB Liability

At June 30, 2020, the School District reported a liability of \$18,988,405 for its proportionate share of the net OPEB liability. The net OPEB liability for fiscal year 2020 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 as of September 30, 2018, which used update procedures to roll forward the estimated liability to September 30, 2019. The School District's proportion of the net OPEB liability was based on a projection of its long-term share of contributions to the OPEB plan relative to the projected contributions of all participating reporting units, actuarially determined. At September 30, 2019 and 2018, the School District's proportion was 0.2645 and 0.2698 percent, respectively, representing a change of (1.96) percent.

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

For 2020, the School District recognized pension expense of \$9,632,642, inclusive of payments to fund the MPSERS UAAL stabilization rate. At June 30, 2020, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 394,895	\$ (367,371)
Changes in assumptions	17,250,172	-
Net difference between projected and actual earnings on pension plan investments	-	(2,823,477)
Changes in proportion and differences between the School District's contributions and proportionate share of contributions	-	(7,555,049)
The School District's contributions to the plan subsequent to the measurement date	6,330,461	-
Total	<u>\$ 23,975,528</u>	<u>\$ (10,745,897)</u>

The \$2,922,465 reported as deferred inflows of resources resulting from the pension portion of state aid payments received pursuant to the UAAL payment will be recognized as state appropriations revenue for the year ending June 30, 2021. Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Years Ending	Amount
2021	\$ 2,464,733
2022	2,028,724
2023	1,606,910
2024	798,803
Total	<u>\$ 6,899,170</u>

June 30, 2020

Note 11 - Michigan Public School Employees' Retirement System (Continued)

In addition, the contributions subsequent to the measurement date will be included as a reduction of the net pension liability in the next year.

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

For the year ended June 30, 2020, the School District recognized OPEB recovery of \$115,323.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ -	\$ (6,967,383)
Changes in assumptions	4,114,403	-
Net difference between projected and actual earnings on OPEB plan investments	-	(330,217)
Changes in proportionate share or difference between amount contributed and proportionate share of contributions	5,834	(2,269,945)
Employer contributions to the plan subsequent to the measurement date	1,431,013	-
Total	<u>\$ 5,551,250</u>	<u>\$ (9,567,545)</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows (note that employer contributions subsequent to the measurement date will reduce the net OPEB liability and, therefore, will not be included in future OPEB expense):

Years Ending	Amount
2021	\$ (1,485,003)
2022	(1,485,003)
2023	(1,321,301)
2024	(860,925)
2025	(295,076)
Total	<u>\$ (5,447,308)</u>

June 30, 2020

Note 11 - Michigan Public School Employees' Retirement System (Continued)***Actuarial Assumptions***

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

Actuarial cost method		Entry age normal
Investment rate of return - Pension	6.00% - 6.80%	Net of investment expenses based on the groups
Investment rate of return - OPEB	6.95%	Net of investment expenses based on the groups
Salary increases	2.75% - 11.55%	Including wage inflation of 2.75%
Health care cost trend rate - OPEB	7.50%	Year 1 graded to 3.5% year 12
Mortality basis		RP-2014 Male and Female Employee Annuitant Mortality tables, scaled 100% (retirees: 82% for males and 78% for females) and adjusted for mortality improvements using projection scale MP-2017 from 2006
Cost of living pension adjustments	3.00%	Annual noncompounded for MIP members

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

Significant assumption changes since the prior measurement date, September 30, 2018, for pension and OPEB include a reduction in both discount rates; continued impact of the updated experience study, which resulted in a lower than projected per person health benefit cost for OPEB; and favorable investment experience for both plans. There were no significant benefit terms changes for the pension or OPEB plans since the prior measurement date of September 30, 2018.

Discount Rate

The discount rate used to measure the total pension liability was 6.00 to 6.80 percent as of September 30, 2019 depending on the plan option. The discount rate used to measure the total OPEB liability was 6.95 percent as of September 30, 2019. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that district contributions will be made at statutorily required rates.

Based on those assumptions, the pension plan's fiduciary net position and the OPEB plan's fiduciary net position were projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan and OPEB plan investments was applied to all periods of projected benefit payments to determine the total pension liability and total OPEB liability.

June 30, 2020

Note 11 - Michigan Public School Employees' Retirement System (Continued)

The long-term expected rate of return on pension plan and 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 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. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Domestic equity pools	28.00 %	5.50 %
Private equity pools	18.00	8.60
International equity pools	16.00	7.30
Fixed-income pools	10.50	1.20
Real estate and infrastructure pools	10.00	4.20
Absolute return pools	15.50	5.40
Short-term investment pools	2.00	0.80
Total	100.00 %	

Long-term rates of return are net of administrative expense and inflation of 2.30 percent.

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

The following presents the net pension liability of the School District, calculated using the discount rate depending on the plan option. The following also reflects what the School District's net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	1 Percentage Point Decrease (5.00 - 5.80%)	Current Discount Rate (6.00 - 6.80%)	1 Percentage Point Increase (7.00 - 7.80%)
Net pension liability of the School District	\$ 114,536,497	\$ 88,100,662	\$ 66,184,444

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

The following presents the net OPEB liability of the School District, calculated using the current discount rate. It also reflects what the School District's net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	1 Percentage Point Decrease (5.95%)	Current Discount Rate (6.95%)	1 Percentage Point Increase (7.95%)
Net OPEB liability of the School District	\$ 23,292,132	\$ 18,988,405	\$ 15,374,470

June 30, 2020

Note 11 - Michigan Public School Employees' Retirement System (Continued)***Sensitivity of the Net OPEB Liability to Changes in the Health Care Cost Trend Rate***

The following presents the net OPEB liability of the School District, calculated using the current health care cost trend rate. It also reflects what the School District's net OPEB liability would be if it were calculated using a health care cost trend rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	1 Percentage Point Decrease (6.50%)	Current Rate (7.50%)	1 Percentage Point Increase (8.50%)
Net OPEB liability of the School District	\$ 15,221,255	\$ 18,988,405	\$ 23,291,622

Pension Plan and OPEB Plan Fiduciary Net Position

Detailed information about the plan's fiduciary net position is available in the separately issued MPSERS financial report.

Payable to the Pension Plan and OPEB Plan

At June 30, 2020, the School District reported a payable of \$1,732,777 and \$269,773 for the outstanding amount of contributions to the pension plan and OPEB plan, respectively, required for the year ended June 30, 2020.

Note 12 - Tax Abatements

The School District receives reduced property tax revenue as a result of industrial facilities tax exemptions (PA 198 of 1974) and brownfield redevelopment agreements granted by cities, villages, and townships within the boundaries of the School District. Industrial facility exemptions are intended to promote construction of new industrial facilities or to rehabilitate historical facilities; brownfield redevelopment agreements are intended to reimburse taxpayers that remediate environmental contamination on their properties.

For the fiscal year ended June 30, 2020, the School District's property tax revenue was reduced by \$1,209,054 under these programs.

The School District is reimbursed for lost revenue caused by tax abatements on the operating millage of nonhomestead properties from the State of Michigan under the school aid formula. The School District received \$1,199,845 in reimbursements from the State of Michigan. The School District is not reimbursed for lost revenue from the sinking fund or debt service millages.

Note 13 - Subsequent Events

Following the passing of the Coronavirus Aid, Relief, and Economic Security (CARES) Act, which was signed into law on March 27, 2020 to combat the effects of the COVID-19 pandemic, the U.S. Department of Treasury distributed Coronavirus Relief Fund (CRF) payments to the State of Michigan. During July and August 2020, the School District received \$1,416,196 of these restricted CRF funds from the Michigan Department of Education. The CRF funds can only be used for eligible costs and are subject to certain Uniform Guidance and grant-specific reporting requirements.

Required Supplemental Information

Battle Creek Public Schools

Required Supplemental Information
Budgetary Comparison Schedule - General Fund

Year Ended June 30, 2020

	Original Budget	Final Budget	Actual	Over (Under) Final Budget
Revenue				
Local sources	\$ 6,887,427	\$ 7,541,759	\$ 7,859,012	\$ 317,253
State sources	35,291,565	32,616,112	32,786,666	170,554
Federal sources	4,379,754	6,386,906	4,935,473	(1,451,433)
Governmental - Intergovernmental	1,825,050	2,756,500	2,732,503	(23,997)
Total revenue	48,383,796	49,301,277	48,313,654	(987,623)
Expenditures				
Current:				
Instruction:				
Basic programs	19,948,628	19,672,451	18,889,913	(782,538)
Added needs	7,703,256	9,082,007	7,611,629	(1,470,378)
Adult/Continuing education	178,442	354,638	343,890	(10,748)
Total instruction	27,830,326	29,109,096	26,845,432	(2,263,664)
Support services:				
Pupil	2,659,567	2,753,226	2,526,066	(227,160)
Instructional staff	2,604,385	3,310,229	3,294,256	(15,973)
General administration	646,975	550,338	548,173	(2,165)
School administration	3,035,321	2,963,750	2,947,704	(16,046)
Business	989,040	883,522	858,096	(25,426)
Operations and maintenance	5,955,719	6,150,798	5,800,568	(350,230)
Pupil transportation services	2,343,287	2,152,502	1,962,009	(190,493)
Central	2,125,662	1,916,934	2,277,372	360,438
Total support services	20,359,956	20,681,299	20,214,244	(467,055)
Athletics	642,278	610,629	599,831	(10,798)
Community services	544,486	685,253	531,923	(153,330)
Debt service	-	-	59,825	59,825
Payments to other public schools	31,000	33,500	8,311	(25,189)
Total expenditures	49,408,046	51,119,777	48,259,566	(2,860,211)
Excess of Revenue (Under) Over Expenditures	(1,024,250)	(1,818,500)	54,088	1,872,588
Other Financing Sources				
Face value of capital lease	-	-	64,416	64,416
Transfers in	-	-	88,500	88,500
Transfers out	200,000	1,008,500	-	(1,008,500)
Total financing sources	200,000	1,008,500	152,916	(855,584)
Net Change in Fund Balance	(824,250)	(810,000)	207,004	1,017,004
Fund Balance - Beginning of year	9,032,851	9,032,851	9,032,851	-
Fund Balance - End of year	<u>\$ 8,208,601</u>	<u>\$ 8,222,851</u>	<u>\$ 9,239,855</u>	<u>\$ 1,017,004</u>

Battle Creek Public Schools

Required Supplemental Information
Budgetary Comparison Schedule - Major Special Revenue Fund
WKKF Grant Fund

Year Ended June 30, 2020

	Original Budget	Final Budget	Actual	(Under) Over Final Budget
Revenue - Local sources	\$ 9,712,580	\$ 15,925,586	\$ 11,215,411	\$ (4,710,175)
Expenditures				
Current:				
Instruction - Basic programs	1,277,234	3,612,252	2,455,627	(1,156,625)
Support services:				
Pupil	802,817	624,000	596,739	(27,261)
Instructional staff	4,205,722	4,164,727	2,704,430	(1,460,297)
General administration	339,000	192,000	199,154	7,154
School administration	146,000	161,580	201,825	40,245
Operations and maintenance	-	385,000	195,285	(189,715)
Pupil transportation services	58,500	79,700	53,088	(26,612)
Central	2,333,000	2,918,000	1,841,020	(1,076,980)
Athletics	10,000	35,000	32,853	(2,147)
Community services	540,307	2,006,307	1,619,077	(387,230)
Capital outlay	-	857,020	1,316,313	459,293
Transfers to other funds	-	890,000	-	(890,000)
Total expenditures	9,712,580	15,925,586	11,215,411	(4,710,175)
Net Change in Fund Balance	-	-	-	-
Fund Balance - Beginning of year	-	-	-	-
Fund Balance - End of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Battle Creek Public Schools

Required Supplemental Information Schedule of the School District's Proportionate Share of the Net Pension Liability Michigan Public School Employees' Retirement System

	Last Six Plan Years					
	Plan Years Ended September 30					
	2019	2018	2017	2016	2015	2014
School District's proportion of the net pension liability	0.26603 %	0.27968 %	0.29896 %	0.32329 %	0.32647 %	0.34357 %
School District's proportionate share of the net pension liability	\$ 88,100,662	\$ 84,078,330	\$ 77,472,035	\$ 80,657,541	\$ 79,741,569	\$ 75,677,164
School District's covered payroll	\$ 23,190,445	\$ 23,030,959	\$ 24,094,527	\$ 27,334,190	\$ 27,781,162	\$ 29,695,625
School District's proportionate share of the net pension liability as a percentage of its covered payroll	379.90 %	365.07 %	321.53 %	295.08 %	287.03 %	254.84 %
Plan fiduciary net position as a percentage of total pension liability	60.08 %	62.12 %	63.96 %	63.01 %	62.92 %	66.20 %

Battle Creek Public Schools

Required Supplemental Information Schedule of Pension Contributions Michigan Public School Employees' Retirement System

	Last Six Fiscal Years Years Ended June 30					
	2020	2019	2018	2017	2016	2015
Statutorily required contribution	\$ 7,399,988	\$ 7,218,982	\$ 7,104,930	\$ 7,142,439	\$ 7,549,920	\$ 5,654,487
Contributions in relation to the statutorily required contribution	7,399,988	7,218,982	7,104,930	7,142,439	7,549,920	5,654,487
Contribution Deficiency	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
School District's Covered Payroll	\$ 23,630,457	\$ 23,477,944	\$ 22,927,784	\$ 24,613,099	\$ 27,057,569	\$ 25,834,320
Contributions as a Percentage of Covered Payroll	31.32 %	30.75 %	30.99 %	29.02 %	27.90 %	21.89 %

Battle Creek Public Schools

Required Supplemental Information

Schedule of the School District's Proportionate Share of the Net OPEB
Liability

Michigan Public School Employees' Retirement System

	Last Three Plan Years		
	Plan Years Ended September 30		
	<u>2019</u>	<u>2018</u>	<u>2017</u>
School District's proportion of the net OPEB liability	0.26455 %	0.26983 %	0.30058 %
School District's proportionate share of the net OPEB liability	\$ 18,988,405	\$ 21,448,463	\$ 26,617,381
School District's covered payroll	\$ 23,190,445	\$ 23,030,959	\$ 24,094,527
School District's proportionate share of the net OPEB liability as a percentage of its covered payroll	81.88 %	93.13 %	110.47 %
Plan fiduciary net position as a percentage of total OPEB liability	48.67 %	43.10 %	36.53 %

Battle Creek Public Schools

Required Supplemental Information
Schedule of OPEB Contributions
Michigan Public School Employees' Retirement System

	Last Three Fiscal Years		
	Years Ended June 30		
	2020	2019	2018
Statutorily required contribution	\$ 1,898,849	\$ 1,844,198	\$ 1,656,011
Contributions in relation to the statutorily required contribution	1,898,849	1,844,198	1,656,011
Contribution Deficiency	\$ -	\$ -	\$ -
School District's Covered Payroll	\$ 23,630,457	\$ 23,477,944	\$ 22,927,784
Contributions as a Percentage of Covered Payroll	8.04 %	7.86 %	7.22 %

June 30, 2020***Pension Information***

Ultimately, 10 years of data will be presented in both of the pension-related schedules. The number of years currently presented represents the number of years since the accounting standard requiring these schedules first became applicable.

Benefit Changes

There were no changes of benefit terms for each of the reported plan years ended September 30.

Changes in Assumptions

There were no significant changes of assumptions for each of the reported plan years ended September 30, except for the following:

- 2019 - The discount rate used in the September 30, 2018 actuarial valuation decreased by 0.25 percentage points.
- 2018 - The discount rate used in the September 30, 2017 actuarial valuation decreased by 0.45 percentage points. The valuation also includes the impact of an updated experience study for the periods from 2012 to 2017.
- 2017 - The discount rate used in the September 30, 2016 actuarial valuation decreased by 0.50 percentage points.

OPEB Information

Ultimately, 10 years of data will be presented in both of the OPEB-related schedules. The number of years currently presented represents the number of years since the accounting standard requiring these schedules first became applicable

Benefit Changes

There were no changes of benefit terms for each of the reported plan years ended September 30.

Changes in Assumptions

There were no changes of benefit assumptions for each of the plan years ended September 30 except for the following:

- 2019 - The discount rate used in the September 30, 2018 actuarial valuation decreased by 0.20 percentage points. The valuation also includes the impact of an updated experience study for the periods from 2012 to 2017. This resulted in a lower than projected per person health benefit cost to reduce the plan's total OPEB liability by an additional \$1.4 billion in 2019.
- 2018 - The discount rate used in the September 30, 2017 actuarial valuation decreased by 0.35 percentage points. The valuation also includes the impact of an updated experience study for the periods from 2012 to 2017. This resulted in a lower than projected per person health benefit cost to reduce the plan's total OPEB liability by \$1.4 billion in 2018.

Other Supplemental Information

Battle Creek Public Schools

Other Supplemental Information Combining Balance Sheet Nonmajor Governmental Funds

June 30, 2020

	Special Revenue Funds				
	Food Service Fund	Math and Science Center Fund	Student Activities Fund	Debt Service Fund	Total
Assets					
Cash and investments	\$ 722,493	\$ -	\$ 394,476	\$ -	\$ 1,116,969
Receivables	385,029	237,550	1,158	20,777	644,514
Due from other funds	1,075,001	1,133,938	-	-	2,208,939
Inventories	57,357	417	20,937	-	78,711
Prepaid expenses and other assets	190,000	67,319	-	-	257,319
Restricted assets	-	-	-	898,461	898,461
Total assets	\$ 2,429,880	\$ 1,439,224	\$ 416,571	\$ 919,238	\$ 5,204,913
Liabilities					
Accounts payable	\$ 254,696	\$ 95,608	\$ 175	\$ 996	\$ 351,475
Due to other funds	-	850,876	189,772	942	1,041,590
Accrued payroll and other liabilities	11,069	222,915	-	-	233,984
Unearned revenue	21,388	169,825	-	-	191,213
Total liabilities	287,153	1,339,224	189,947	1,938	1,818,262
Fund Balances					
Nonspendable:					
Inventories	57,357	417	20,937	-	78,711
Prepaid expenses and other assets	190,000	67,319	-	-	257,319
Restricted:					
Debt service	-	-	-	917,300	917,300
Food service	1,895,370	-	-	-	1,895,370
Committed:					
Math and Science Center	-	32,264	-	-	32,264
Student Activities	-	-	205,687	-	205,687
Total fund balances	2,142,727	100,000	226,624	917,300	3,386,651
Total liabilities and fund balances	\$ 2,429,880	\$ 1,439,224	\$ 416,571	\$ 919,238	\$ 5,204,913

Battle Creek Public Schools

Other Supplemental Information Combining Statement of Revenue, Expenditures, and Changes in Fund Balances Nonmajor Governmental Funds

Year Ended June 30, 2020

	Special Revenue Funds				
	Food Service Fund	Math and Science Center Fund	Student Activities Fund	Debt Service Fund	Total
Revenue					
Local sources	\$ 176,302	\$ 330,313	\$ 207,550	\$ 3,075,727	\$ 3,789,892
State sources	129,880	1,393,777	-	936,525	2,460,182
Federal sources	4,388,353	-	-	-	4,388,353
Intergovernmental and other sources	-	69,548	-	-	69,548
Total revenue	4,694,535	1,793,638	207,550	4,012,252	10,707,975
Expenditures					
Current:					
Instruction	-	1,297,948	-	-	1,297,948
Support services	95,064	1,120,212	161,520	-	1,376,796
Food services	3,692,634	-	-	-	3,692,634
Debt service:					
Principal	-	-	-	1,655,000	1,655,000
Interest	-	-	-	2,254,450	2,254,450
Other debt costs	-	-	-	7,253	7,253
Capital outlay	429,707	89,951	-	-	519,658
Total expenditures	4,217,405	2,508,111	161,520	3,916,703	10,803,739
Excess of Revenue Over (Under) Expenditures	477,130	(714,473)	46,030	95,549	(95,764)
Other Financing Sources (Uses)					
Transfers in	-	714,473	-	-	714,473
Transfers out	(58,500)	-	-	-	(58,500)
Total other financing (uses) sources	(58,500)	714,473	-	-	655,973
Net Change in Fund Balances	418,630	-	46,030	95,549	560,209
Fund Balances - Beginning of year (as restated)	1,724,097	100,000	180,594	821,751	2,826,442
Fund Balances - End of year	<u>\$ 2,142,727</u>	<u>\$ 100,000</u>	<u>\$ 226,624</u>	<u>\$ 917,300</u>	<u>\$ 3,386,651</u>

Battle Creek Public Schools

Other Supplemental Information
Combining Statement of Revenue, Expenditures, and Changes in Fund
Balances
Math and Science Center Fund

Year Ended June 30, 2020

	Math and Science Center	Outdoor Education Center	Total
Revenue			
Local sources	\$ 69,659	\$ 260,654	\$ 330,313
State sources	1,386,251	7,526	1,393,777
Intergovernmental and other sources	-	69,548	69,548
Total revenue	1,455,910	337,728	1,793,638
Expenditures			
Current:			
Instruction	1,292,502	5,446	1,297,948
Support services	498,977	621,235	1,120,212
Capital outlay	75,687	14,264	89,951
Total expenditures	1,867,166	640,945	2,508,111
Excess of Expenditures Over Revenue	(411,256)	(303,217)	(714,473)
Other Financing Sources - Transfers in	411,256	303,217	714,473
Net Change in Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Battle Creek Public Schools

Other Supplemental Information Schedule of Bonded Indebtedness

June 30, 2020

Years Ending June 30	2016 Refunding Bonds
	Principal
2021	\$ 1,740,000
2022	1,825,000
2023	1,920,000
2024	2,015,000
2025	2,115,000
2026	2,220,000
2027	2,330,000
2028	2,445,000
2029	2,570,000
2030	2,700,000
2031	2,805,000
2032	2,920,000
2033	3,065,000
2034	3,215,000
2035	3,380,000
2036	3,540,000
2037	3,720,000
Total remaining payments	\$ 44,525,000
Principal payments due	May 1
Interest payments due	May 1 and November 1
Interest rate	4.00% to 5.00%
Original issue	\$ 49,265,000

Battle Creek Public Schools

Federal Awards Supplemental Information
June 30, 2020

Independent Auditor's Reports

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Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

Independent Auditor's Report

To the Board of Education
Battle Creek Public Schools

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Battle Creek Public Schools (the "School District") as of and for the year ended June 30, 2020 and the related notes to the financial statements, which collectively comprise the School District's basic financial statements. We issued our report thereon dated November 20, 2020, which contained an unmodified opinion on the financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. We have not performed any procedures with respect to the audited financial statements subsequent to November 20, 2020.

The accompanying schedule of expenditures of federal awards is presented for the purpose of additional analysis, as required by the Uniform Guidance, and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the 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 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 financial statements as a whole.

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*

Independent Auditor's Report

To Management and the Board of Education
Battle Creek Public Schools

We have audited, 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, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Battle Creek Public Schools (the "School District") as of and for the year ended June 30, 2020 and the related notes to the financial statements, which collectively comprise the School District's basic financial statements, and have issued our report thereon dated November 20, 2020 .

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

To Management and the Board of Education
Battle Creek Public Schools

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 School District'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 School District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

DRAFT

Schedule of Expenditures of Federal Awards

Year Ended June 30, 2020

Federal Agency/Pass-through Agency/Program Title	Pass-through Entity Identifying Number	CFDA Number	Award Amount	(Memo Only) Prior Year Expenditures	Accrued Revenue at July 1, 2019	Adjustments and Transfers	Federal Funds/ Payments In-kind Received	Federal Expenditures	Accrued Revenue at June 30, 2020	Current Year Cash Transferred to Subrecipients
Clusters:										
Child Nutrition Cluster:										
U.S. Department of Agriculture - Passed through the										
Michigan Department of Education:										
Noncash assistance (commodities) - Food Distribution - Entitlement Commodities - 2019-20	N/A	10.555	\$ 197,588	\$ -	\$ -	\$ -	\$ 197,588	\$ 197,588	\$ -	\$ -
Cash assistance:										
National School Lunch Program:										
Project number 191960	191960	10.555	1,939,321	1,640,767	40,945	2	339,501	298,554	-	-
Project number 201960	201960	10.555	1,148,392	-	-	-	1,148,392	1,148,392	-	-
COVID-19 Summer Food School Program - Unanticipated School Closures - 2019-2020	200902	10.555	1,604,781	-	-	-	1,239,542	1,604,781	365,239	-
Total National School Lunch Program (including commodities)			4,890,082	1,640,767	40,945	2	2,925,023	3,249,315	365,239	-
National School Breakfast Program:										
Project number 191970	191970	10.553	1,147,860	979,360	31,004	(3)	199,501	168,500	-	-
Project number 201970	201970	10.553	657,732	-	-	-	657,732	657,732	-	-
Total National School Breakfast Program			1,805,589	979,360	31,004	(3)	857,233	826,232	-	-
Summer Food Service Program:										
Project number 190900	190900	10.559	120,319	31,290	30,808	-	119,837	89,029	-	-
Project number 191900	191900	10.559	11,139	3,732	3,690	(923)	10,174	7,407	-	-
Total Summer Food Service Program			131,459	35,022	34,498	(923)	130,011	96,436	-	-
Total federal programs clusters			6,827,130	2,655,149	106,447	(924)	3,912,267	4,171,983	365,239	-

Schedule of Expenditures of Federal Awards (Continued)

Year Ended June 30, 2020

Federal Agency/Pass-through Agency/Program Title	Pass-through Entity Identifying Number	CFDA Number	Award Amount	(Memo Only) Prior Year Expenditures	Accrued Revenue at July 1, 2019	Adjustments and Transfers	Federal Funds/ Payments In-kind Received	Federal Expenditures	Accrued Revenue at June 30, 2020	Current Year Cash Transferred to Subrecipients
Other federal awards:										
U.S. Department of Education:										
Passed through the Michigan Department of Education:										
Title I, Part A:										
Project number 191530-1819	191530-1819	84.010	\$ 3,993,905	\$ 3,307,855	\$ 577,674	\$ -	\$ 577,674	\$ -	\$ -	\$ -
Project number 201530-1920	201530-1920	84.010	3,426,338	-	-	-	1,751,075	2,609,767	858,692	-
Total Title I, Part A			7,420,243	3,307,855	577,674	-	2,328,749	2,609,767	858,692	-
Elementary and Secondary School Emergency Relief Fund										
Project number 203710-1920	203710-1920	84.425	1,759,354	-	-	-	383,919	463,924	80,005	-
Adult Education:										
Project number 191130-191287	191130-191287	84.002	70,000	64,345	5,553	-	5,553	-	-	-
Project number 191190-191287	191190-191287	84.002	14,000	13,893	5,253	-	5,253	-	-	-
Project number 201130-201287	201130-201287	84.002	95,000	-	-	-	77,992	89,628	11,636	-
Project number 201190-201287	201190-201287	84.002	14,000	-	-	-	13,894	13,948	54	-
Total Adult Education			193,000	78,238	10,806	-	102,692	103,576	11,690	-
Title I Part D:										
Project number 191700-1819	191700-1819	84.013	36,552	29,621	4,101	(2,362)	1,739	-	-	-
Project number 201700-1920	201700-1920	84.013	9,324	-	-	-	-	6,871	6,871	-
Total Title I, Part D			45,876	29,621	4,101	(2,362)	1,739	6,871	6,871	-
Title II Part A - Improving Teacher Quality:										
Project number 190520-1819	190520-1819	84.367	729,991	617,581	80,193	353	106,135	25,589	-	-
Project number 200520-1920	200520-1920	84.367	604,628	-	-	-	334,924	470,009	135,085	-
Total Improving Teacher Quality			1,334,619	617,581	80,193	353	441,059	495,598	135,085	-
Title III - English Language Acquisition:										
Project number 190570-1819	190570-1819	84.365	28,000	9,491	1,838	835	3,566	893	-	-
Project number 190580-1819	190580-1819	84.365	40,395	37,610	2,878	2,019	5,663	766	-	-
Project number 200570-1920	200570-1920	84.365	17,727	-	-	-	9,549	10,384	835	-
Project number 200580-1920	200580-1920	84.365	39,080	-	-	-	20,930	33,887	12,957	-
Total English Language Acquisition			125,202	47,101	4,716	2,854	39,708	45,930	13,792	-

Schedule of Expenditures of Federal Awards (Continued)

Year Ended June 30, 2020

Federal Agency/Pass-through Agency/Program Title	Pass-through Entity Identifying Number	CFDA Number	Award Amount	(Memo Only) Prior Year Expenditures	Accrued Revenue at July 1, 2019	Adjustments and Transfers	Federal Funds/ Payments In-kind Received	Federal Expenditures	Accrued Revenue at June 30, 2020	Current Year Cash Transferred to Subrecipients
Other federal awards (continued):										
U.S. Department of Education (continued):										
Passed through the Michigan Department of Education (continued):										
Title IV, Part A - Student Support and Academic Enrichment:										
Project number 190750-1819	190750-1819	84.424	\$ 203,265	\$ 127,988	\$ 18,021	\$ -	\$ 28,929	\$ 10,908	\$ -	\$ -
Project number 200750-1920	200750-1920	84.424	275,212	-	-	-	143,525	169,429	25,904	-
Total Student Support and Academic Enrichment			478,477	127,988	18,021	-	172,454	180,337	25,904	-
21st Century Community Learning Centers:										
Project number 192110-I-14035	192110-I-14035	84.287	540,000	468,264	37,471	15,022	109,207	56,714	-	-
Project number 192110-K-181479	192110-K-181479	84.287	675,000	622,470	108,047	(628)	107,419	-	-	-
Project number 202110-L-194271	202110-L-194271	84.287	540,000	-	-	-	346,801	416,184	69,383	-
Project number 202110-K-181479	202110-K-181479	84.287	675,000	-	-	-	488,833	548,664	59,831	-
Total 21st Century Community Learning Centers			2,430,000	1,090,734	145,518	14,394	1,052,260	1,021,562	129,214	-
Total U.S. Department of Education noncluster programs			13,786,771	5,299,118	841,029	15,239	4,522,580	4,927,565	1,261,253	-
U.S. Department of Agriculture:										
Passed through the Calhoun Intermediate School District:										
Child Care Food Program:										
Project number 192010	192010	10.558	8,965	7,725	80	-	1,320	1,240	-	-
Project number 191920	191920	10.558	138,467	117,957	-	-	20,510	20,510	-	-
Project number 201920	201920	10.558	102,352	-	-	-	102,352	102,352	-	-
Project number 202010	202010	10.558	9,612	-	-	(1)	9,611	9,612	-	-
Total Child Food Care Program			259,396	125,682	80	(1)	133,793	133,714	-	-
Fresh Fruit and Vegetables:										
Project number 190950-1819	190950-1819	10.582	65,250	65,248	1,431	2	1,433	-	-	-
Project number 200950-1920	200950-1920	10.582	90,564	-	-	-	90,564	90,564	-	-
Total Fresh Fruit and Vegetables			155,814	65,248	1,431	2	91,997	90,564	-	-
Total U.S. Department of Agriculture noncluster programs			415,210	190,930	1,511	1	225,790	224,278	-	-
Total federal awards			\$ 21,029,111	\$ 8,145,197	\$ 948,987	\$ 14,316	\$ 8,660,637	\$ 9,323,826	\$ 1,626,492	\$ -

Notes to Schedule of Expenditures of Federal Awards

Year Ended June 30, 2020

Note 1 - Basis of Presentation

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

Note 2 - Summary of Significant Accounting Policies

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

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

Note 3 - Grant Auditor Report

Management has utilized the Cash Management System (CMS) Grant Auditor Report in preparing the schedule of expenditures of federal awards. Unreconciled differences, if any, have been disclosed to the auditor.

Note 4 - Noncash Assistance

The value of the noncash assistance received was determined in accordance with the provisions of the Uniform Guidance. The grantee received no noncash assistance during the year ended June 30, 2020 that is not included in the schedule of expenditures of federal awards.

Note 5 - Adjustments and Transfers

During the year ended June 30, 2020, there were adjustments of \$3 in the National School Breakfast Program (CFDA #10.553); \$2 in the National School Lunch Program (CFDA #10.555); \$923 in the Summer Food Service Program (CFDA #10.559); \$2,362 in the Title I, Part D Grant (CFDA #84.013), \$353 in the Title II, Part A, Improving Teacher Quality Grant (CFDA #84.367); \$2,854 in the Title III, English Language Acquisition Grant (CFDA #84.365A); \$14,394 in the 21st Century Community Learning Centers Grant (CFDA #84.287C); \$1 in the Child Care Food Program (CFDA #10.558); and \$2 in the Fresh Fruit and Vegetables Program (CFDA #10.582), reflecting adjustments made during the year for revenue that will not be received and adjustments to expenditures recorded.

Schedule of Findings and Questioned Costs

Year Ended June 30, 2020

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:

Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? _____ Yes X No
- Significant deficiency(ies) identified that are not considered to be material weaknesses? _____ Yes X None reported

Noncompliance material to financial statements noted?

_____ Yes X None reported

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? _____ Yes X No
- Significant deficiency(ies) identified that are not considered to be material weaknesses? _____ Yes X None reported

Any audit findings disclosed that are required to be reported in accordance with Section 2 CFR 200.516(a)?

_____ Yes X No

Identification of major programs:

CFDA Number	Name of Federal Program or Cluster	Opinion
10.553, 10.555, 10.559 84.425D	Child Nutrition Cluster Elementary and Secondary School Emergency Relief Fund	

Dollar threshold used to distinguish between type A and type B programs:

\$750,000

Auditee qualified as low-risk auditee?

_____ Yes X No

Section II - Financial Statement Audit Findings

Reference Number	Finding
Current Year	None

Section III - Federal Program Audit Findings

Reference Number	Finding	Questioned Costs
Current Year	None	