

# Anchor Bay School District

Year Ended  
June 30, 2019

Financial  
Statements and  
Single Audit Act  
Compliance

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# ANCHOR BAY SCHOOL DISTRICT

## Table of Contents

	<u>Page</u>
Independent Auditors' Report	1
Management's Discussion and Analysis	5
Basic Financial Statements	
Government-wide Financial Statements:	
Statement of Net Position	14
Statement of Activities	15
Fund Financial Statements:	
Balance Sheet - Governmental Funds	16
Reconciliation - Fund Balances of Governmental Funds to Net Position of Governmental Activities	17
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	18
Reconciliation - Net Changes in Fund Balances of Governmental Funds to Change in Net Position of Governmental Activities	19
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - General Fund	20
Statement of Fiduciary Assets and Liabilities	21
Notes to Financial Statements	23
Required Supplementary Information	
MPERS Cost-Sharing Multiple Employer Plan:	
Schedule of the District's Proportionate Share of the Net Pension Liability	48
Schedule of the District's Pension Contributions	49
Schedule of the District's Proportionate Share of the Net Other Postemployment Benefit Liability	50
Schedule of the District's Other Postemployment Benefit Contributions	51
Supplementary Information	
Combining Fund Financial Statements:	
Combining Balance Sheet - Nonmajor Governmental Funds	54
Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Governmental Funds	55
Combining Balance Sheet - Nonmajor Special Revenue Funds	56
Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Special Revenue Funds	57
Combining Balance Sheet - Nonmajor Debt Service Funds	58
Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Debt Service Funds	60
Schedule of Outstanding Bonded Indebtedness (Unaudited)	62

# ANCHOR BAY SCHOOL DISTRICT

## Table of Contents

	<u>Page</u>
Single Audit Act Compliance	
Independent Auditors' Report on the Schedule of Expenditures of Federal Awards Required by the Uniform Guidance	69
Schedule of Expenditures of Federal Awards	72
Notes to Schedule of Expenditures of Federal Awards	76
Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	77
Independent Auditors' Report on Compliance for the Major Federal Program and on Internal Control over Compliance Required by the Uniform Guidance	79
Schedule of Findings and Questioned Costs	81
Summary Schedule of Prior Audit Findings	83



**INDEPENDENT AUDITORS' REPORT**

October 23, 2019

Board of Education  
Anchor Bay School District  
Casco Township, Michigan**Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of *Anchor Bay School District* (the "District"), as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

*Management's Responsibility for the Financial Statements*

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

*Independent Auditors' 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 of material misstatement.

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

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

### *Opinions*

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

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the schedules for the pension plan and other postemployment benefit plan, listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The combining and individual fund financial statements are presented for purposes of additional analysis and are 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 basic financial statements. The 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 information is fairly stated in all material respects in relation to the basic financial statements as a whole.

The schedule of bonded outstanding indebtedness is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with Government Auditing Standards, we have also issued our report dated October 23, 2019, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the District's internal control over financial reporting and compliance.

*Rehmann Johnson LLC*

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## MANAGEMENT'S DISCUSSION AND ANALYSIS

# ANCHOR BAY SCHOOL DISTRICT

## Management's Discussion and Analysis

As management of Anchor Bay School District, we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2019.

### Financial Highlights

· Total net position	\$ (129,529,377)
· Change in total net position	(2,247,183)
· Fund balances, governmental funds	16,413,365
· Change in fund balances, governmental funds	4,739,728
· Unassigned fund balance, general fund	4,781,047
· Change in fund balance, general fund	(783,751)
· Installment debt outstanding	167,115,000
· Change in installment debt	(9,435,000)
· Capital assets, net	162,218,466

### Overview of the Financial Statements

The discussion and analysis are intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

**Government-wide Financial Statements.** The *government-wide financial statements* are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business.

The *statement of net position* presents information on all of the District's assets, deferred outflows of resources, liabilities and deferred inflows of resources, with the net reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The *statement of activities* presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the District that are principally supported by taxes and intergovernmental revenues (governmental activities). The governmental activities of the District include instruction, supporting services, community service, food service, international programs and student operations.

**Fund Financial Statements.** A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into two categories: governmental funds and fiduciary funds.

**Governmental Funds.** Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

# ANCHOR BAY SCHOOL DISTRICT

## Management's Discussion and Analysis

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

**Fiduciary Funds.** Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the District's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

**Notes to the Financial Statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

**Other Information.** In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information. This is limited to this management's discussion and analysis and the schedules for the MPSERS pension and other postemployment benefit plans immediately following the notes to the financial statements.

### Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the District, liabilities and deferred inflows of resources exceeded assets and deferred outflows of resources by \$129,529,377 at the close of the most recent fiscal year.

Net position invested in capital assets, net of related debt used to acquire those assets that are still outstanding, amounted to \$55,523,658 at June 30, 2019. The District uses these capital assets to provide services to the students it serves; consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

	Net Position	
	Governmental Activities	
	2019	2018
Current and other assets	\$ 26,062,354	\$ 22,407,542
Capital assets, net	162,218,466	160,700,073
<b>Total assets</b>	<b>188,280,820</b>	<b>183,107,615</b>
Deferred outflows of resources	44,679,954	28,160,487
Other liabilities	149,774,186	139,056,669
Long-term debt	196,861,496	192,130,445
<b>Total liabilities</b>	<b>346,635,682</b>	<b>331,187,114</b>
Deferred inflows of resources	15,854,469	7,363,182
Net position:		
Net investment in capital assets	55,523,658	50,947,697
Restricted	410,221	504,556
Unrestricted (deficit)	(185,463,256)	(178,734,447)
<b>Total net position</b>	<b>\$ (129,529,377)</b>	<b>\$ (127,282,194)</b>

# ANCHOR BAY SCHOOL DISTRICT

## Management's Discussion and Analysis

The District implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, in fiscal year 2015 and GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*, in fiscal year 2018. In addition to expanded disclosure requirements, the District is required to report its proportionate share of the MPERS net pension liability and net other postemployment benefits liability on the statement of net position. These changes have directly effected the District's net position as of year end, which was negative \$129,529,377.

Restricted net position represents amounts subject to external restrictions such as amounts restricted for capital projects or food service. The District also reported a deficit of \$185,463,256 as unrestricted net position. The negative balance is mainly related to the District's proportionate share of the MPERS net pension liability, net other postemployment benefit liability and the District's general obligation bonded debt (school bond loan fund).

	Changes in Net Position	
	Governmental Activities	
	2019	2018
Program revenues:		
Charges for services	\$ 3,972,047	\$ 3,790,276
Operating grants and contributions	12,716,755	12,553,135
General revenues:		
Property taxes	16,991,809	15,912,707
Unrestricted state aid	40,952,796	40,117,660
Other general revenues	550,616	492,086
Total revenues	<u>75,184,023</u>	<u>72,865,864</u>
Expenses:		
Instruction	39,451,095	36,784,827
Supporting services	23,743,262	20,773,176
Community service	652,604	728,682
Food service	2,267,365	1,986,670
International programs	465,097	383,874
Student operations	22,444	44,917
Interest on long-term debt	5,623,692	6,789,707
Unallocated depreciation	5,205,647	5,415,842
Total expenses	<u>77,431,206</u>	<u>72,907,695</u>
Change in net position	(2,247,183)	(41,831)
Net position, beginning of year	(127,282,194)	(95,792,874)
Restatement for implementation of GASB 75	-	(31,447,489)
Net position, end of year	<u>\$ (129,529,377)</u>	<u>\$ (127,282,194)</u>

The District's net position decreased by \$2,247,183 during the current year as compared to a decrease of \$41,831 in the previous year. The changes in the net position are primarily related to the District's proportionate share of the MPERS net pension liability and net other postemployment benefit liability.

# ANCHOR BAY SCHOOL DISTRICT

## Management's Discussion and Analysis

### Financial Analysis of the Government's Funds

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with finance related legal requirements.

**Governmental Funds.** The focus of the District's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the District's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$16,413,365, an increase of \$4,739,728 in comparison with the prior year. Approximately 29% of this total amount (\$4,781,047) is unassigned fund balance. The remainder of fund balance is nonspendable because the underlying assets are included in inventory and prepaid items, is assigned because the amounts are constrained by the District's intent to be used for specific purposes, or is restricted for food service, capital projects or debt service, and not available for current expenditure. The increase is due to new bond issuances that resulted in proceeds yet to be spent on capital projects.

*General Fund.* The general fund is the chief operating fund of the District. At the end of the current fiscal year, unassigned fund balance of the general fund was \$4,781,047, while the total fund balance for the general fund is \$4,792,178. As a measure of the general fund's liquidity, it is useful to compare unassigned fund balance to total general fund expenditures. Unassigned fund balance represents approximately 7.9% of total general fund expenditures. This percentage is slightly lower than in 2017-2018.

The fund balance of the District's general fund decreased by \$783,751, during the current fiscal year. The unassigned fund balance decreased by \$469,729. The overall decrease in fund balance is attributed to expenditures for total compensation relevant to wages and the associated retirement and benefit costs under the revised bargaining agreements.

**Capital Projects funds.** Fund balance of \$10,650,409 is restricted for projects approved by the voters of the District. Two series of bonds were issued to finance the projects and capital expenditures related to those bond proceeds are recorded in the 2017 and 2019 capital projects funds. \$10,930,000 was issued on June 6, 2017 and \$11,605,000 was issued on January 23, 2019 which represent series I and II, respectively. The District is using these funds for the following major projects: building upgrades such as new windows, flooring, HVAC controls systems and ventilation improvements, secure entrance controls, STEM equipment in classrooms, new computers, playground and kitchen upgrades, paving, and the installation of new LED lighting. In addition, athletic upgrades included resurfacing the tracks and tennis courts, installing new bleachers, a new synthetic turf field was installed at the high school, and upgrades to the locker rooms, mechanical, fire systems, and lighting in the aquatic center. The District purchased four new school buses during this fiscal year, and sixteen school buses in total between series I and II. Thanks to the continued support of the community, the bond proposal approved by the voters in 2017 has allowed the District to protect the community's building assets and maintain the educational goals of the District.

# ANCHOR BAY SCHOOL DISTRICT

## Management's Discussion and Analysis

### General Fund Budgetary Highlights

The District revises its budget throughout the school year to reflect changes in the assumptions made during budget development when actual data becomes available for both revenue and expenditures. Typically, budget adjustments are required to reflect changes in student counts, staffing levels, unanticipated changes in costs, and grant award assumptions. These preliminary assumptions are incorporated into the budget that is required by state law to be approved by the Anchor Bay School District, Board of Education by July 1 of each year. The State Legislature's fiscal year does not begin until October 1 of that same year. This discrepancy makes it difficult to approve a budget without all of the necessary information for the budget development process.

Our elected District officials and school administration must account for many factors during the development of the District budget. Over the course of the year, the School District revises its budget to reflect changes as actual data becomes available. State Law requires that budget amendments be formally adopted to ensure that expenditures do not exceed appropriations. The School District amended the budget twice during the 2018/2019 fiscal year. The final amendment to the Budget was adopted in June 2019. There were no significant variances between the final budget and actual amounts. A schedule showing the District's original and final budget amounts compared to actual is provided in the financial statements with the accompanying notes as a required.

The general fund actual revenue and other financing sources was \$59,429,220. That amount is less than the final budget estimate of \$59,679,064. The variance was \$249,844, or less than 1%.

The actual expenditures and other financing uses of the general fund were \$60,212,971, which is below the final budget estimate of \$60,940,881. The variance was \$727,910, or less than 1.5%. The variance was due to contributing factors including planned grant expenses that were deferred to the next fiscal year and conservative spending practices in all areas, especially in Operation and Maintenance, and conservative practices for the overall operational and administrative functions of the District.

Revenues increased by \$374,678 between the original and final budgets during the year. Changes in revenues between the original and final budgets during the year occur due to fluctuations in anticipated enrollment, changes in categorical revenue from the State, including retirement offsets for MPERS reimbursements and UAAL funding, and State and Federal grant awards.

Expenditures were increased by \$1,337,148 between the original and final budgets during the year. Overall district-wide projected expenditure adjustments were related to total compensation for wages and benefits required under the revised bargaining agreements. Other increases were related to operational and maintenance costs for districtwide transportation services, as well as other support services.

### Capital Asset and Debt Administration

**Capital Assets.** The District's investment in capital assets for its governmental activities as of June 30, 2019, amounted to \$162,218,466 (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, site improvements, furniture and equipment, buses and vehicles. This reflects an increase of \$1,518,393 from the previous year.

# ANCHOR BAY SCHOOL DISTRICT

## Management's Discussion and Analysis

Depreciation expense was recognized in the amount of \$5,205,647.

	Capital Assets (Net of Depreciation)	
	2019	2018
Capital assets not being depreciated:		
Land	\$ 3,839,025	\$ 3,839,025
Construction in progress	-	1,666,599
Capital assets being depreciated:		
Buildings and improvements	155,018,422	151,826,827
Site improvements	48,611	305,125
Furniture and equipment	2,153,833	2,629,899
Buses	1,074,539	318,684
Vehicles	84,036	113,914
<b>Total capital assets, net</b>	<b>\$ 162,218,466</b>	<b>\$ 160,700,073</b>

Additional information on the District's capital assets can be found in note 5 to the financial statements.

Long-term Debt. At the end of the current fiscal year, the District had total installment debt outstanding of \$167,115,000. The change in long-term liabilities also reflects additional borrowings from the School Bond Loan Fund of \$14,362,861.

As of January 23, 2019, Standard & Poor's Ratings Services rating was AA. This rating reflects the stable financial position of the District and represents the capacity of the District to meet its financial obligations. The District is committed to the strong financial management practices and shared fiscal responsibilities by its elected officials and district administration.

The District's total bonded long-term debt decreased by \$9,435,000 (approximately 5.34%) during the current fiscal year.

Additional information on the District's long-term debt can be found in note 8 to the financial statements.

### Factors Bearing on the District's Future

The following factors were also considered in preparing the District's budget for the 2019-20 fiscal year:

- The District's revenue is heavily dependent on state funding and the financial growth of the State's School Aid Fund to support school district operations. The impact of the state not passing the State Budget, which includes the State School Aid Act for 2019-2020 prior to the start of the school district's fiscal year has made it challenging for the district to budget for state funded revenue sources.
- The Board of Education and Administration agreed to an estimate of a foundation allowance of \$8,051 per pupil for the 2019-2020 fiscal year, which is an increase of \$180 per pupil from 2018-19 and was based on information received from various educational organizations such as Michigan School Business Officials, Michigan Association of School Administrators, and the Michigan Association of School Boards as well as local state representatives. The final foundation allowance from the State was unknown during the 2019-2020 budget development process.
- The 2019-2020 budget was adopted in June 2019 based on an early preliminary estimate of students who will enroll in September 2019, the fall pupil count day is October 2nd. State foundation revenue is determined by multiplying the blended student count by the the foundation allowance amount per pupil. The pupil count funding formula for the 2019-2020 fiscal year is consistent with the prior year formula which is 10 percent of the of the February 2019 and 90 percent of the October 2019 student count.

# ANCHOR BAY SCHOOL DISTRICT

## Management's Discussion and Analysis

- The continuing cost of health insurance to current and potential retirees continues to drive the rate increase the Michigan School Employees Retirement System recommends to the legislature for approval. In 2019-2020, the normal pension rate is anticipated to increase to 27.50%. However, the District will be required to pay an additional 12.41%, for all wages earned October 1, 2019 and later, for the Unfunded Actuarial Accrued Liability (UAAL). The retirement rate was budgeted at 39.91% to reflect an average of the retirement expense the District has to pay out on behalf of all of the staff and the different retirement plans that they choose. At the time of the original budget adoption, the rate increased from 12.21% to 12.41%, creating additional revenues and expenses to be reported.

### Requests for Information

This financial report is designed to provide a general overview of the District's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Business Office, 5201 County Line Road, Suite 100, Casco, Michigan 48064.



## BASIC FINANCIAL STATEMENTS

# ANCHOR BAY SCHOOL DISTRICT

## Statement of Net Position June 30, 2019

	Governmental Activities
<b>Assets</b>	
Cash and cash equivalents	\$ 1,765,161
Investments	14,492,758
Receivables	9,776,446
Prepaid items and other assets	27,989
Capital assets not being depreciated	3,839,025
Capital assets being depreciated, net	<u>158,379,441</u>
<b>Total assets</b>	<u>188,280,820</u>
<b>Deferred outflows of resources</b>	
Deferred charge on refunding	2,633,325
Deferred pension amounts	36,477,585
Deferred other postemployment benefit amounts	<u>5,569,044</u>
<b>Total deferred outflows of resources</b>	<u>44,679,954</u>
<b>Liabilities</b>	
Accounts payable and accrued liabilities	8,752,883
State aid note payable	691,900
Unearned revenue	1,171,903
Noncurrent liabilities:	
Due within one year	34,460,283
Due in more than one year	162,401,213
Net pension liability (due in more than one year)	109,999,840
Net other postemployment benefit liability (due in more than one year)	<u>29,157,660</u>
<b>Total liabilities</b>	<u>346,635,682</u>
<b>Deferred inflows of resources</b>	
Deferred pension amounts	9,259,237
Deferred other postemployment benefit amounts	<u>6,595,232</u>
<b>Total deferred inflows of resources</b>	<u>15,854,469</u>
<b>Net position</b>	
Net investment in capital assets	55,523,658
Restricted for food service	410,221
Unrestricted (deficit)	<u>(185,463,256)</u>
<b>Total net position</b>	<u><u>\$ (129,529,377)</u></u>

The accompanying notes are an integral part of these financial statements.

# ANCHOR BAY SCHOOL DISTRICT

## Statement of Activities

For the Year Ended June 30, 2019

Functions / Programs	Expenses	Program Revenues		Net (Expense) Revenue
		Charges for Services	Operating Grants and Contributions	
<b>Governmental activities:</b>				
Instruction	\$ 39,451,095	\$ 799,450	\$ 11,671,131	\$ (26,980,514)
Supporting services	23,743,262	365,670	-	(23,377,592)
Community service	652,604	614,169	-	(38,435)
Food service	2,267,365	1,147,745	1,045,624	(73,996)
International programs	465,097	1,045,013	-	579,916
Student operations	22,444	-	-	(22,444)
Interest on long-term debt	5,623,692	-	-	(5,623,692)
Unallocated depreciation	5,205,647	-	-	(5,205,647)
<b>Total governmental activities</b>	<b>\$ 77,431,206</b>	<b>\$ 3,972,047</b>	<b>\$ 12,716,755</b>	<b>(60,742,404)</b>
<b>General revenues:</b>				
Property taxes				16,991,809
Unrestricted state aid				40,952,796
Unrestricted investment earnings				374,992
Proceeds from sale of capital assets				800
Other				174,824
<b>Total general revenues</b>				<b>58,495,221</b>
<b>Change in net position</b>				<b>(2,247,183)</b>
<b>Net position, beginning of year</b>				<b>(127,282,194)</b>
<b>Net position, end of year</b>				<b>\$ (129,529,377)</b>

The accompanying notes are an integral part of these financial statements.

# ANCHOR BAY SCHOOL DISTRICT

## Balance Sheet

Governmental Funds

June 30, 2019

	General Fund	2019 Capital Projects Funds	Nonmajor Governmental Funds	Totals
<b>Assets</b>				
Cash and cash equivalents	\$ 474,156	\$ -	\$ 1,291,005	\$ 1,765,161
Investments	2,898,202	10,900,998	693,558	14,492,758
Accounts receivable	27,131	-	4,020	31,151
Due from other governments	9,653,824	-	91,471	9,745,295
Inventory	-	-	16,858	16,858
Prepaid items	11,131	-	-	11,131
<b>Total assets</b>	<b>\$ 13,064,444</b>	<b>\$ 10,900,998</b>	<b>\$ 2,096,912</b>	<b>\$ 26,062,354</b>
<b>Liabilities</b>				
Accounts payable	\$ 306,599	\$ 478,535	\$ 30,045	\$ 815,179
Accrued liabilities	2,022,732	-	25,586	2,048,318
Salaries and benefits payable	4,147,112	-	38,928	4,186,040
Due to other governments	735,649	-	-	735,649
State aid note payable	691,900	-	-	691,900
Unearned revenue	368,274	-	803,629	1,171,903
<b>Total liabilities</b>	<b>8,272,266</b>	<b>478,535</b>	<b>898,188</b>	<b>9,648,989</b>
<b>Fund balances</b>				
Nonspendable:				
Inventory	-	-	16,858	16,858
Prepaid items	11,131	-	-	11,131
Restricted for:				
Food service	-	-	395,799	395,799
Capital projects	-	10,422,463	227,946	10,650,409
Debt service	-	-	366,470	366,470
Assigned for:				
Student operations	-	-	146,320	146,320
International programs	-	-	45,331	45,331
Unassigned	4,781,047	-	-	4,781,047
<b>Total fund balances</b>	<b>4,792,178</b>	<b>10,422,463</b>	<b>1,198,724</b>	<b>16,413,365</b>
<b>Total liabilities and fund balances</b>	<b>\$ 13,064,444</b>	<b>\$ 10,900,998</b>	<b>\$ 2,096,912</b>	<b>\$ 26,062,354</b>

The accompanying notes are an integral part of these financial statements.

# ANCHOR BAY SCHOOL DISTRICT

## Reconciliation

Fund Balances of Governmental Funds  
to Net Position of Governmental Activities  
June 30, 2019

Fund balances - total governmental funds	\$ 16,413,365
Amounts reported for <i>governmental activities</i> in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	
Capital assets	237,528,329
Accumulated depreciation	(75,309,863)
Certain liabilities, such as bonds payable, are not due and payable in the current period, and therefore are not reported in the funds.	
Bonds and loan fund payable	(192,154,671)
Unamortized deferred charge on refunding	2,633,325
Unamortized bond premium	(4,398,704)
Unamortized bond discount	173,433
Accrued interest on bonds payable	(967,697)
Compensated absences	(481,554)
Certain pension and other postemployment benefit-related amounts, such as the net pension liability, net other postemployment benefit liability and deferred amounts are not due and payable in the current period or do not represent current financial resources and therefore are not reported in the funds.	
Net pension liability	(109,999,840)
Net other postemployment benefit liability	(29,157,660)
Deferred outflows related to the net pension liability	36,477,585
Deferred inflows related to the net pension liability	(9,259,237)
Deferred outflows related to the net other postemployment benefit liability	5,569,044
Deferred inflows related to the net other postemployment benefit liability	(6,595,232)
Net position of governmental activities	<u>\$ (129,529,377)</u>

The accompanying notes are an integral part of these financial statements.

# ANCHOR BAY SCHOOL DISTRICT

## Statement of Revenues, Expenditures and Changes in Fund Balances

Governmental Funds

For the Year Ended June 30, 2019

	General	2019 Capital Projects Funds	Nonmajor Governmental Funds	Totals
<b>Revenues</b>				
Local sources	\$ 6,029,678	\$ 102,273	\$ 14,862,337	\$ 20,994,288
State sources	49,632,463	-	501,148	50,133,611
Federal sources	2,991,464	-	949,045	3,940,509
Other sources	114,815	-	-	114,815
<b>Total revenues</b>	<b>58,768,420</b>	<b>102,273</b>	<b>16,312,530</b>	<b>75,183,223</b>
<b>Expenditures</b>				
Instruction	36,864,253	-	-	36,864,253
Student services	2,714,742	-	-	2,714,742
Instructional support	3,127,806	-	-	3,127,806
General administration	1,131,808	-	-	1,131,808
School administration	4,600,069	-	-	4,600,069
Business administration	713,555	-	-	713,555
Operation and maintenance	5,731,841	-	-	5,731,841
Transportation	3,468,907	-	-	3,468,907
Support services - other	1,246,653	-	-	1,246,653
Community service	610,848	-	-	610,848
Food service	-	-	2,176,591	2,176,591
Student operations	-	-	21,534	21,534
International programs	-	-	440,190	440,190
Debt service:				
Principal	-	-	21,040,000	21,040,000
Interest and fiscal charges	-	-	5,841,491	5,841,491
Bond issuance costs	-	183,237	-	183,237
Capital outlay	-	1,331,318	4,947,703	6,279,021
Other	668	-	3,828	4,496
<b>Total expenditures</b>	<b>60,211,150</b>	<b>1,514,555</b>	<b>34,471,337</b>	<b>96,197,042</b>
<b>Revenues under expenditures</b>	<b>(1,442,730)</b>	<b>(1,412,282)</b>	<b>(18,158,807)</b>	<b>(21,013,819)</b>
<b>Other financing sources (uses)</b>				
Issuance of long-term debt	-	11,605,000	13,918,002	25,523,002
Premium on debt issuance	-	229,745	-	229,745
Proceeds from sale of capital assets	800	-	-	800
Transfers in	660,000	-	1,821	661,821
Transfers out	(1,821)	-	(660,000)	(661,821)
<b>Total other financing sources (uses)</b>	<b>658,979</b>	<b>11,834,745</b>	<b>13,259,823</b>	<b>25,753,547</b>
<b>Net change in fund balances</b>	<b>(783,751)</b>	<b>10,422,463</b>	<b>(4,898,984)</b>	<b>4,739,728</b>
Fund balances, beginning of year	5,575,929	-	6,097,708	11,673,637
<b>Fund balances, end of year</b>	<b>\$ 4,792,178</b>	<b>\$ 10,422,463</b>	<b>\$ 1,198,724</b>	<b>\$ 16,413,365</b>

The accompanying notes are an integral part of these financial statements.

# ANCHOR BAY SCHOOL DISTRICT

## Reconciliation

Net Changes in Fund Balances of Governmental Funds  
to Change in Net Position of Governmental Activities  
For the Year Ended June 30, 2019

Net change in fund balances - total governmental funds \$ 4,739,728

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

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

Capital assets purchased/constructed	6,724,040
Depreciation expense	(5,205,647)

Bond proceeds provide current financial resources to governmental funds in the period issued, but issuing bonds increases long-term liabilities in the statement of net position. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.

Issuance of long-term debt	(25,523,002)
Bond premium	(229,745)
Amortization of premium	487,217
Amortization of discount	(44,856)
Amortization of deferred charge on refunding	(189,641)
Principal payments on long-term debt	21,040,000

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

Change in net pension liability and related deferred amounts	(5,161,994)
Change in net other postemployment benefit liability and related deferred amounts	1,167,444
Change in accrued interest payable on bonds and loans	(34,921)
Change in the accrual for compensated absences	(15,806)

Change in net position of governmental activities	\$ (2,247,183)
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The accompanying notes are an integral part of these financial statements.

# ANCHOR BAY SCHOOL DISTRICT

## Statement of Revenues, Expenditures and Changes in Fund Balance

Budget and Actual - General Fund  
For the Year Ended June 30, 2019

	Original Budget	Final Budget	Actual	Over (Under) Final Budget
<b>Revenues</b>				
Local sources	\$ 6,114,399	\$ 6,016,623	\$ 6,029,678	\$ 13,055
State sources	49,539,393	49,773,060	49,632,463	(140,597)
Federal sources	2,890,508	3,128,345	2,991,464	(136,881)
Other sources	113,400	114,350	114,815	465
<b>Total revenues</b>	<b>58,657,700</b>	<b>59,032,378</b>	<b>58,768,420</b>	<b>(263,958)</b>
<b>Expenditures</b>				
Instruction	37,694,848	37,272,542	36,864,253	(408,289)
Student services	2,573,399	2,675,104	2,714,742	39,638
Instructional support	2,685,603	3,221,949	3,127,806	(94,143)
General administration	872,970	1,072,659	1,131,808	59,149
School administration	4,543,136	4,570,097	4,600,069	29,972
Business administration	716,729	727,359	713,555	(13,804)
Operation and maintenance	5,787,396	5,728,233	5,731,841	3,608
Transportation	3,057,697	3,513,448	3,468,907	(44,541)
Support services - other	1,201,647	1,469,288	1,246,653	(222,635)
Community service	468,920	682,746	610,848	(71,898)
Other	-	6,068	668	(5,400)
<b>Total expenditures</b>	<b>59,602,345</b>	<b>60,939,493</b>	<b>60,211,150</b>	<b>(728,343)</b>
Revenues under expenditures	(944,645)	(1,907,115)	(1,442,730)	464,385
<b>Other financing sources (uses)</b>				
Proceeds from sale of capital assets	29,363	-	800	800
Transfers in	(37,745)	646,686	660,000	13,314
Transfers out	(10,000)	(1,388)	(1,821)	433
<b>Total other financing sources (uses)</b>	<b>(18,382)</b>	<b>645,298</b>	<b>658,979</b>	<b>14,547</b>
<b>Net change in fund balance</b>	<b>(963,027)</b>	<b>(1,261,817)</b>	<b>(783,751)</b>	<b>478,066</b>
Fund balance, beginning of year	5,575,929	5,575,929	5,575,929	-
<b>Fund balance, end of year</b>	<b>\$ 4,612,902</b>	<b>\$ 4,314,112</b>	<b>\$ 4,792,178</b>	<b>\$ 478,066</b>

The accompanying notes are an integral part of these financial statements.



# ANCHOR BAY SCHOOL DISTRICT

## Statement of Fiduciary Assets and Liabilities June 30, 2019

	Agency Funds
<b>Assets</b>	
Cash and cash equivalents	<u>\$ 616,093</u>
<b>Liabilities</b>	
Due to student groups	<u>\$ 616,093</u>

The accompanying notes are an integral part of these financial statements.

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## NOTES TO FINANCIAL STATEMENTS

# ANCHOR BAY SCHOOL DISTRICT

## Notes to Financial Statements

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### Reporting Entity

Anchor Bay School District (the "District") is governed by an elected seven-member Board of Education. The accompanying basic financial statements have been prepared in accordance with criteria established by the GASB for determining the various governmental organizations to be included in the reporting entity. The District has determined that no entities should be consolidated into its basic financial statements as component units. Therefore, the reporting entity consists of the primary government financial statements only. The criteria for including a component unit include significant operational or financial relationships with the District.

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

#### *Government-wide and Fund Financial Statements*

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. The District had no business-type activities during the current year.

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

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

#### *Measurement Focus, Basis of Accounting, and Financial Statement Presentation*

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting* as are the fiduciary fund financial statements, except for the agency funds, which do not have a measurement focus. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues 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.

# ANCHOR BAY SCHOOL DISTRICT

## Notes to Financial Statements

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, are recorded only when payment is due.

Property taxes, intergovernmental revenue, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The District reports the following major governmental funds:

The *general fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those accounted for and reported in another fund.

The *2019 capital projects fund* is used to record bond proceeds or other revenue and the disbursement of funds specifically designated for acquiring new school sites, buildings, equipment, and for remodeling and repairs. The fund operates until the purpose for which it was created is accomplished.

Additionally, the District reports the following fund types:

The *special revenue funds* are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditures for specified purposes other than debt service or capital projects.

The *debt service funds* are used to account for all financial resources restricted, committed or assigned to expenditure for principal and interest.

The *capital projects funds* are used to record bond proceeds or other revenue and the disbursement of funds specifically designated for acquiring new school sites, buildings, equipment, and for remodeling and repairs. The funds operate until the purpose for which it was created is accomplished.

The *agency funds* account for assets held for student activity groups and organizations and are custodial in nature.

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

The effect of interfund activity has been eliminated from the government-wide financial statements.

# ANCHOR BAY SCHOOL DISTRICT

## Notes to Financial Statements

Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Equity

### *Deposits and Investments*

The District's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

Investments are reported at fair value, except for the District's investments in the Michigan Liquid Assets Fund (MILAF), which are recorded at amortized cost.

### *Receivables and Payables*

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the noncurrent portion of interfund loans).

The District follows the practice of recording revenues that have been earned but not yet received as receivables. Receivables consist primarily of State Aid payments from the State of Michigan and Federal grant funds earned but not yet collected. No amounts have been identified as potentially uncollectible by management, and therefore, no amount has been recorded as a provision for bad debts.

Accounts payable and other payables reflected in the financial statements are based on when the liability is incurred.

### *Inventory and Prepaid Items*

Inventories are stated at cost using the first-in, first-out method, and consist primarily of food, cafeteria supplies and teaching supplies. USDA donated commodities in the food service fund are recorded at fair value. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

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

### *Capital Assets*

Capital assets, which include property and equipment, are reported in the governmental activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$1,000. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition cost at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

# ANCHOR BAY SCHOOL DISTRICT

## Notes to Financial Statements

Major outlays for capital assets and improvements are capitalized as projects are constructed. Capital assets of the District are depreciated using the straight-line method over the following estimated useful lives:

	Years
Buildings and improvements	25-50
Furniture and equipment	5-10
Vehicles and buses	5-10

### *Deferred Outflows of Resources*

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources (expense/expenditure) until then. The District reports deferred outflows for the charge on refunding. This amount represents the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The District also reports deferred outflows of resources related to the net pension liability and the net other postemployment benefit liability. A portion of these costs represent contributions to the plan subsequent to the plan measurement date.

### *Unearned Revenue*

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

### *Compensated Absences*

Sick days are earned by most employees at the rate of one day per month. The quantity of sick days an employee may accumulate is determined by their job category, ranging from eighteen to seventy-five days. Retiring employees who meet certain age and years of service requirements are paid for accumulated sick days to a maximum number of days and at a rate determined by their job category. There is no contractual provision for payment of unused vacation, other than the payment of prorated used vacation days earned during the year of the termination.

The liability for compensated absences reported in the government-wide statements consists of earned but unused accumulated vacation, sick leave, and severance benefits. A liability for these amounts is reported in governmental funds as it comes due for payment. The liability has been calculated using the vesting method, in which leave amounts are included both for employees who are currently eligible to receive termination payments and for other employees who are expected to become eligible in the future to receive such payments upon termination.

# ANCHOR BAY SCHOOL DISTRICT

## Notes to Financial Statements

### *Long-term Obligations*

In the government-wide financial statements, long-term obligations are reported as liabilities in the governmental activities statement of net position. Where applicable, bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method.

In the fund financial statements, governmental fund types recognize bond premiums and discounts during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses.

### *Deferred Inflows of Resources*

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to one or more future periods and so will not be recognized as an inflow of resources (revenue) until that time. The District's deferred inflows of resources related to pension and other postemployment benefit costs.

### *Fund Equity*

Governmental funds report *nonspendable fund balance* for amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. *Restricted fund balance* is reported when externally imposed constraints are placed on the use of the resources by grantors, contributors, or laws or regulations of other governments. *Committed fund balance*, if any, is reported for amounts that can be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision making authority, the Board of Education. A formal resolution of the Board of Education is required to establish, modify or rescind a fund balance commitment. The District reports *assigned fund balance* for amounts that are constrained by the government's intent to be used for specific purposes, but are neither restricted nor committed. The Board of Education has delegated the authority to assign fund balance to the Superintendent or his/her designee. *Unassigned fund balance* is the residual classification for the general fund.

When the District incurs an expenditure for purposes for which various fund balance classifications can be used, it is the District's policy to use restricted fund balance first, then committed fund balance, assigned fund balance, and finally unassigned fund balance.

### *Interfund Balances*

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



# ANCHOR BAY SCHOOL DISTRICT

## Notes to Financial Statements

### *Pensions and Other Postemployment Benefits*

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

### *Use of Estimates*

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

## 2. BUDGETARY INFORMATION

The general and special revenue funds are under formal budgetary control. Budgets shown in the financial statements are adopted annually on a basis consistent with generally accepted accounting principles (GAAP), and are not significantly different from the modified accrual basis used to reflect actual results, and consist only of those amounts contained in the formal budget as originally adopted or as amended by the Board of Education. The budgets for the general and special revenue funds are adopted on a functional basis. All annual appropriations lapse at fiscal year end.

During the year ended June 30, 2019, the government incurred expenditures in excess of the amounts appropriated at the legal level of budgetary control as follows:

	Final Budget	Actual	Variance
General fund			
Student services	\$ 2,675,104	\$ 2,714,742	\$ 39,638
General administration	1,072,659	1,131,808	59,149
School administration	4,570,097	4,600,069	29,972
Operation and maintenance	5,728,233	5,731,841	3,608
Transfers out	1,388	1,821	433

# ANCHOR BAY SCHOOL DISTRICT

## Notes to Financial Statements

### 3. DEPOSITS AND INVESTMENTS

A reconciliation of cash and investments as shown on the Statement of Net Position and Statement of Fiduciary Assets and Liabilities follows:

Statement of Net Position	
Cash and cash equivalents	\$ 1,765,161
Investments	<u>14,492,758</u>
	16,257,919
Statement of Fiduciary Assets and Liabilities	
Cash and cash equivalents	<u>616,093</u>
Total	<u>\$ 16,874,012</u>
Deposits and investments	
Cash on hand	\$ 1,000
Bank deposits (checking/savings accounts and CD's)	1,961,282
Investments	<u>14,911,730</u>
Total	<u>\$ 16,874,012</u>

#### Statutory Authority

State statutes authorize the District to invest in:

Bonds, bills, or notes of the United States; obligations, the principal and interest of which are fully guaranteed by the United States; or obligations of the State. In a primary or fourth class school district, the bonds, bills, or notes shall be payable at the option of the holder upon not more than 90 days notice or, if not so payable, shall have maturity dates not more than 5 years after the purchase dates.

Certificates of deposit insured by a State or national bank, savings accounts of a state or federal savings and loan association, or certificates of deposit or share certificates of a state or federal credit union organized and authorized to operate in this State.

Commercial paper rated prime at the time of purchase and maturing not more than 270 days after the date of purchase.

Securities issued or guaranteed by agencies or instrumentalities of the United States government or federal agency obligation repurchase agreements, and bankers' acceptance issued by a bank that is a member of the federal deposit insurance corporation.

Mutual funds composed entirely of investment vehicles that are legal for direct investment by a school district.

Investment pools, as authorized by the surplus funds investment pool act, composed entirely of instruments that are legal for direct investment by a school district.

The District's investment policy allows for all of these types of investments.

# ANCHOR BAY SCHOOL DISTRICT

## Notes to Financial Statements

### Investments

The District chooses to disclose its investments by specific identification. As of year end, the District had the following investments:

Investment	Maturity	Amortized Cost / Fair Value	Rating
Michigan Liquid Asset Fund - MICMS	n/a	\$ 618,930	S&P AAAM
Michigan Liquid Asset Fund - MIMAX	n/a	14,292,800	S&P AAAM
		<u>\$ 14,911,730</u>	

*Interest Rate Risk.* State law limits the allowable investments and the maturities of some of the allowable investments as identified in the list of authorized investments above. The District’s investment policy does not have specific limits in excess of state law on investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

*Credit Risk.* State law limits investments to specific government securities, certificates of deposits and bank accounts with qualified financial institutions, commercial paper with specific maximum maturities and ratings when purchased, bankers acceptances of specific financial institutions, qualified mutual funds and qualified external investment pools as identified in the list of authorized investments above. The District’s investment policy does not have specific limits in excess of state law on investment credit risk. The ratings for each investment are identified above for investments held at year end.

*Custodial Credit Risk - Deposits.* Custodial credit risk is the risk that in the event of a bank failure, the District’s deposits may not be returned. State law does not require and the District does not have a policy for deposit custodial credit risk. As of year end, \$1,856,118 of the District’s bank balance of \$2,106,118 was exposed to custodial credit risk because it was uninsured and uncollateralized.

*Custodial Credit Risk - Investments.* For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. State law does not require and the District does not have a policy for investment custodial credit risk. The investments listed above are not subject to custodial credit risk.

*Concentration of Credit Risk.* State law limits allowable investments but does not limit concentration of credit risk as identified in the list of authorized investments above. The District’s investment policy does not have specific limits in excess of state law on concentration of credit risk. All of the District’s investments are identified above.

# ANCHOR BAY SCHOOL DISTRICT

## Notes to Financial Statements

### 4. RECEIVABLES

Receivables as of year end for the District's individual major funds and nonmajor funds in the aggregate, are as follows:

	General	Nonmajor Governmental Funds	Totals
Accounts receivable	\$ 27,131	\$ 4,020	\$ 31,151
Due from other governments	9,653,824	91,471	9,745,295
	<u>\$ 9,680,955</u>	<u>\$ 95,491</u>	<u>\$ 9,776,446</u>

### 5. CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2019 was as follows:

	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
Capital assets not being depreciated:					
Land	\$ 3,839,025	\$ -	\$ -	\$ -	\$ 3,839,025
Construction in progress	1,666,599	-	-	(1,666,599)	-
Total capital assets not being depreciated	<u>5,505,624</u>	<u>-</u>	<u>-</u>	<u>(1,666,599)</u>	<u>3,839,025</u>
Capital assets being depreciated:					
Buildings and improvements	211,665,715	6,068,414	-	1,700,663	219,434,792
Site improvements	725,123	-	-	(470,703)	254,420
Furniture and equipment	8,359,531	232,546	-	36,148	8,628,225
Buses	4,203,809	423,080	(52,798)	432,826	5,006,917
Vehicles	424,176	-	(26,891)	(32,335)	364,950
	<u>225,378,354</u>	<u>6,724,040</u>	<u>(79,689)</u>	<u>1,666,599</u>	<u>233,689,304</u>
Less accumulated depreciation for:					
Buildings and improvements	(59,838,888)	(4,577,482)	-	-	(64,416,370)
Site improvements	(419,998)	214,189	-	-	(205,809)
Furniture and equipment	(5,729,632)	(744,760)	-	-	(6,474,392)
Buses	(3,885,125)	(100,051)	52,798	-	(3,932,378)
Vehicles	(310,262)	2,457	26,891	-	(280,914)
	<u>(70,183,905)</u>	<u>(5,205,647)</u>	<u>79,689</u>	<u>-</u>	<u>(75,309,863)</u>
Total capital assets being depreciated, net	<u>155,194,449</u>	<u>1,518,393</u>	<u>-</u>	<u>1,666,599</u>	<u>158,379,441</u>
Governmental activities capital assets, net	<u>\$160,700,073</u>	<u>\$ 1,518,393</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$162,218,466</u>

Depreciation expense of \$5,205,647 is reported as "unallocated depreciation," and not allocated to individual functions.

# ANCHOR BAY SCHOOL DISTRICT

## Notes to Financial Statements

### 6. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities as of year end for the District’s individual major funds and nonmajor funds in the aggregate, are as follows:

	General	2019 Capital Projects Fund	Nonmajor Governmental Funds	Totals
Fund Financial Statements:				
Accounts payable	\$ 306,599	\$ 478,535	\$ 30,045	\$ 815,179
Accrued liabilities	2,022,732	-	25,586	2,048,318
Salaries and benefits payable	4,147,112	-	38,928	4,186,040
Due to other governments	735,649	-	-	735,649
	<u>\$ 7,212,092</u>	<u>\$ 478,535</u>	<u>\$ 94,559</u>	7,785,186
			Government-wide Financial Statements -	
			Accrued interest on long-term debt	<u>967,697</u>
				<u>\$ 8,752,883</u>

### 7. TRANSFERS

For the year ended June 30, 2019, interfund transfers consisted of the following:

	Transfers out	Transfers in
General fund	\$ 1,821	\$ 660,000
Nonmajor governmental funds	<u>660,000</u>	<u>1,821</u>
	<u>\$ 661,821</u>	<u>\$ 661,821</u>

Transfers are used to: (1) move revenues from the fund that is required to collect them to the fund that is required or allowed to expend them; (2) move receipts restricted to or allowed for debt service from the funds collecting the receipts to the debt service fund as debt service payments become due; and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

For the year ended June 30, 2019, the District transferred funds from the international students special revenue fund and the food service fund to the general fund to purchase various curriculum items and for indirect costs, respectively.

# ANCHOR BAY SCHOOL DISTRICT

## Notes to Financial Statements

### 8. LONG-TERM DEBT

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

	Beginning Balance	Additions	Deductions	Ending Balance	Due Within One Year
Governmental activities					
General obligation bonds	\$ 176,550,000	\$ 11,605,000	\$ (21,040,000)	\$ 167,115,000	\$ 34,010,000
School bond loan fund	10,676,810	14,362,861	-	25,039,671	-
Unamortized bond premium	4,656,176	229,745	(487,217)	4,398,704	495,139
Unamortized bond discount	(218,289)	-	44,856	(173,433)	(44,856)
Compensated absences	465,748	15,806	-	481,554	-
<b>Total long-term debt</b>	<b>\$ 192,130,445</b>	<b>\$ 26,213,412</b>	<b>\$ (21,482,361)</b>	<b>\$ 196,861,496</b>	<b>\$ 34,460,283</b>

Compensated absences are typically liquidated by the general fund.

Bonds payable consist of the following issues:

#### General obligation bonds

2009 Bond Refunding Serial Bonds, due in annual installments of \$1,200,000 to \$2,765,000 due May 1, 2020, interest at 2.35% to 5.50%.	\$ 1,200,000
2011 Bond Refunding Serial Bonds, due in annual installments of \$1,040,000 to \$4,190,000 due May 1, 2029, interest at 2.00% to 5.00%.	29,085,000
2012 Bond Refunding Serial Bonds, due in annual installments of \$2,020,000 to \$2,345,000 due May 1, 2030, interest at 3.13% to 5.00%.	24,320,000
2013 Bond Refunding Serial Bonds, due in annual installments of \$1,450,000 to \$2,565,000 due May 1, 2033, interest at .200% to 5.00%.	30,065,000
2016 Bond Refunding Serial Bonds A, due in annual installments of \$1,100,000 to \$2,515,000 due May 1, 2025, interest at 5.00%.	8,465,000
2016 Bond Refunding Serial Bonds B (refunded SBLF), due in annual installments of \$12,000,000 to \$25,445,000 due May 1, 2021, interest at 1.67% to 2.23%.	51,445,000
2017 School Building and Site Bonds, due in annual installments of \$510,000 to \$2,635,000 due May 1, 2047, interest at 3.00% to 3.38%.	10,930,000
2019 School Building and Site Bonds, due in annual installments of \$370,000 to \$1,690,000 due May 1, 2048, interest at 3.00% to 5.00%.	<u>11,605,000</u>
<b>Total general obligation bonds</b>	<b><u>\$ 167,115,000</u></b>

# ANCHOR BAY SCHOOL DISTRICT

## Notes to Financial Statements

Annual debt service requirements to maturity for general obligation bonds are as follows:

Year Ended June 30,	Principal	Interest	Total
2020	\$ 34,010,000	\$ 5,651,254	\$ 39,661,254
2021	34,790,000	4,810,446	39,600,446
2022	13,850,000	3,784,047	17,634,047
2023	11,075,000	3,279,327	14,354,327
2024	9,730,000	2,710,327	12,440,327
2025-2029	34,835,000	8,723,413	43,558,413
2030-2034	13,030,000	3,817,237	16,847,237
2035-2039	4,880,000	2,350,481	7,230,481
2040-2044	5,710,000	1,483,653	7,193,653
2045-2048	5,205,000	400,126	5,605,126
<b>Totals</b>	<b>\$ 167,115,000</b>	<b>\$ 37,010,311</b>	<b>\$ 204,125,311</b>

### School Bond Loan Fund

The School Bond Loan Fund represents amounts borrowed from the State of Michigan School Bond Loan Program to supplement property tax revenue for making payments on the District's general obligation bonds. Although interest accrues each year, no payment is due until such time as the District's property tax revenue is sufficient to support the debt service requirements on the general obligation bonds. Changes to the School Bond Loan Fund for the year ended June 30, 2019, are as follows:

	Principal	Interest	Total
Beginning balance	\$ 10,294,452	\$ 382,358	\$ 10,676,810
Additions	13,918,002	444,859	14,362,861
Ending balance	<u>\$ 24,212,454</u>	<u>\$ 827,217</u>	<u>\$ 25,039,671</u>

## 9. STATE AID NOTE PAYABLE

During the year, the District financed certain of its operations through the issuance of State Aid Anticipation Notes. These notes were issued for terms of less than one year, and accordingly are recorded as liabilities of the respective funds from which they were issued. The District borrowed \$3,400,000 on August 20, 2018 with a interest rate of 1.75%. This note is due on August 20, 2019.

Changes in short-term state aid notes for the year ended June 30, 2019, were as follows:

	Beginning Balance	Additions	Deductions	Ending Balance
State aid note	<u>\$ 500,529</u>	<u>\$ 3,400,000</u>	<u>\$ 3,208,629</u>	<u>\$ 691,900</u>

# ANCHOR BAY SCHOOL DISTRICT

## Notes to Financial Statements

### 10. OPERATING LEASES

The District has three operating lease agreements for seven buses that provide for annual minimum lease payments as follows:

Year Ended June 30,	Total
2020	\$ 95,080
2021	55,940
2022	<u>55,940</u>
	<u>\$ 151,020</u>

Rental expense for all operating leases aggregated \$39,140 for the year ended June 30, 2019.

### 11. NET INVESTMENT IN CAPITAL ASSETS

The composition of net investment in capital assets as of June 30, 2019, was as follows:

Capital assets, net	\$162,218,466
Capital related bonds payable outstanding	(115,670,000)
Unamortized bond premium	(4,398,704)
Unamortized bond discount	90,162
Unspent bonded capital projects proceeds	10,650,409
Deferred charge on refunding	<u>2,633,325</u>
Net investment in capital assets	<u>\$ 55,523,658</u>

### 12. RISK MANAGEMENT

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

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



# ANCHOR BAY SCHOOL DISTRICT

## Notes to Financial Statements

### 13. PROPERTY TAXES

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

The District received reduced property tax revenues during 2019 as a result of industrial facilities tax exemptions (IFT's) agreements entered into by cities, villages, townships, and authorities within the District boundaries.

The IFT's were entered into based upon the Plant Rehabilitation and Industrial Developments Districts Act (known as the Industrial Facilities Exemption), PA 198 of 1974, as amended. IFT's provide a tax incentive to manufacturers to enable renovation and expansion of aging facilities, assist in the building of new facilities, and to promote the establishment of high-tech facilities. Properties qualifying for IFT status are taxed at 50% of the millage rate applicable to other real and personal property within the District boundaries. The abatements were not material to the District for the fiscal year.

### 14. PENSION AND OTHER POSTEMPLOYMENT BENEFITS PLANS

#### *Plan Description*

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

The System's pension plan was established by the State to provide retirement, survivor and disability benefits to public school employees. In addition, the System's health plan provides all retirees with the option of receiving health, prescription drug, dental and vision coverage under the Michigan Public School Employees' Retirement Act (1980 PA 300 as amended).

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

The System's financial statements are available at the ORS website at [www.michigan.gov/orsschools](http://www.michigan.gov/orsschools).

# ANCHOR BAY SCHOOL DISTRICT

## Notes to Financial Statements

### *Pension Benefits Provided*

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

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

### *Other Postemployment Benefits Provided*

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

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

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

# ANCHOR BAY SCHOOL DISTRICT

## Notes to Financial Statements

### Contributions

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

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

The table below summarizes pension contribution rates in effect for fiscal year 2019:

Benefit Structure	Member Rates	Employer Rates
Basic	0.00% - 4.00%	17.89% - 18.25%
Member Investment Plan (MIP)	3.00% - 7.00%	17.89% - 18.25%
Pension Plus	3.00% - 6.40%	16.46% - 16.61%
Pension Plus 2	6.20%	19.59% - 19.74%
Defined Contribution	0.00%	13.39% - 13.54%

For the year ended June 30, 2019, required and actual contributions from the District to the pension plan were \$9,961,613, which included \$4,044,250, the amount received from the State and remitted to the System to fund the MPSERS unfunded actuarial accrued liability ("UAAL") stabilization rate.

The table below summarizes OPEB contribution rates in effect for fiscal year 2019:

Benefit Structure	Member Rates	Employer Rates
Premium Subsidy	3.00%	7.67% - 7.93%
Personal Healthcare Fund (PHF)	0.00%	7.42% - 7.57%

Required contributions to the OPEB plan from the District were \$2,603,936 for the year ended June 30, 2019.

The table below summarizes defined contribution rates in effect for fiscal year 2019:

Benefit Structure	Member Rates	Employer Rates
Defined Contribution	0.00% - 3.00%	0.00% - 7.00%
Personal Healthcare Fund (PHF)	0.00% - 2.00%	0.00% - 2.00%

For the year ended June 30, 2019, required and actual contributions from the District for those members with a defined contribution benefit were \$100,401.

# ANCHOR BAY SCHOOL DISTRICT

## Notes to Financial Statements

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

At June 30, 2019, the District reported a liability of \$109,999,840 for its proportionate share of the MPSERS net pension liability. The net pension liability was measured as of September 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation rolled forward from September 2017. The District's proportion of the net pension liability was determined by dividing each employer's statutorily required pension contributions to the system during the measurement period by the percent of pension contributions required from all applicable employers during the measurement period. At September 30, 2018, the District's proportion was 0.36591%, which was an increase of 0.00067% from its proportion measured as of September 30, 2017.

For the year ended June 30, 2019, the District recognized pension expense of \$14,502,417. At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources	Net Deferred Outflows (Inflows) of Resources
Differences between expected and actual experience	\$ 510,420	\$ 799,350	\$ (288,930)
Changes in assumptions	25,475,872	-	25,475,872
Net difference between projected and actual earnings on pension plan investments	-	7,521,193	(7,521,193)
Changes in proportion and differences between employer contributions and proportionate share of contributions	1,169,306	938,694	230,612
	<u>27,155,598</u>	<u>9,259,237</u>	<u>17,896,361</u>
District contributions subsequent to the measurement date	9,321,987	-	9,321,987
	<u>9,321,987</u>	<u>-</u>	<u>9,321,987</u>
<b>Total</b>	<b><u>\$ 36,477,585</u></b>	<b><u>\$ 9,259,237</u></b>	<b><u>\$ 27,218,348</u></b>

\$9,321,987 reported as deferred outflows of resources related to pensions resulting from employer contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30,	Amount
2020	\$ 7,690,934
2021	5,177,040
2022	3,529,410
2023	<u>1,498,977</u>
<b>Total</b>	<b><u>\$ 17,896,361</u></b>

# ANCHOR BAY SCHOOL DISTRICT

## Notes to Financial Statements

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

At June 30, 2019, the District reported a liability of \$29,157,660 for its proportionate share of the MPSERS net OPEB liability. The net OPEB liability was measured as of September 30, 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation rolled forward from September 2017. The District's proportion of the net OPEB liability was determined by dividing each employer's statutorily required OPEB contributions to the system during the measurement period by the percent of OPEB contributions required from all applicable employers during the measurement period. At September 30, 2018, the District's proportion was 0.36681% which was an increase of 0.00211% from its proportion measured as of September 30, 2017.

For the year ended June 30, 2019, the District recognized OPEB expense of \$1,444,718. At June 30, 2019, the 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	Net Deferred Outflows (Inflows) of Resources
Differences between expected and actual experience	\$ -	\$ 5,426,990	\$ (5,426,990)
Changes in assumptions	3,087,811	-	3,087,811
Net difference between projected and actual earnings on OPEB plan investments	-	1,120,599	(1,120,599)
Changes in proportion and differences between employer contributions and proportionate share of contributions	158,755	47,643	111,112
	<u>3,246,566</u>	<u>6,595,232</u>	<u>(3,348,666)</u>
District contributions subsequent to the measurement date	<u>2,322,478</u>	-	<u>2,322,478</u>
<b>Total</b>	<u><u>\$ 5,569,044</u></u>	<u><u>\$ 6,595,232</u></u>	<u><u>\$ (1,026,188)</u></u>

\$2,322,478 reported as deferred outflows of resources related to OPEB resulting from employer contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in pension expense as follows:

Year Ended June 30,	Amount
2020	\$ (833,012)
2021	(833,012)
2022	(833,012)
2023	(598,444)
2024	<u>(251,186)</u>
<b>Total</b>	<u><u>\$ (3,348,666)</u></u>

# ANCHOR BAY SCHOOL DISTRICT

## Notes to Financial Statements

### *Actuarial Assumptions*

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations. The total pension and OPEB liabilities in the September 30, 2017 actuarial valuation were determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial cost method	Entry age, normal
Wage inflation rate	2.75%
Investment rate of return:	
MIP and Basic plans (non-hybrid)	7.05%
Pension Plus plan (hybrid)	7.00%
Pension Plus 2 plan (hybrid)	6.00%
OPEB plans	7.15%
Projected salary increases	2.75% - 11.55%, including wage inflation at 2.75%
Cost of living adjustments	3% annual non-compounded for MIP members
Healthcare cost trend rate	7.5% Year 1 graded to 3.0% Year 12
Mortality	RP-2014 Male and Female Healthy Annuitant Mortality Tables, adjusted for mortality improvements using projection scale MP-2017 from 2006. For retirees, the tables were scaled by 82% for males and 78% for females. For active members, 100% of the table rates were used for both males and females.
Other OPEB assumptions:	
Opt-out assumptions	21% of eligible participants hired before July 1, 2008 and 30% of those hired after June 30, 2008 are assumed to opt-out of the retiree health plan.
Survivor coverage	80% of male retirees and 67% of female retirees are assumed to have coverages continuing after the retiree's death.
Coverage election at retirement	75% of male and 60% of female future retirees are assumed to elect coverage for 1 or more dependents.

Assumption changes as a result of an experience study for the period 2012 through 2017 have been adopted by the System for use in the annual pension valuations beginning with the September 30, 2017 valuation. The total pension liability as of September 30, 2018, is based on the results of an actuarial valuation date of September 30, 2017, and rolled forward using generally accepted actuarial procedures, including the experience study. The recognition period for pension liabilities is 4.5304 years which is the average of the expected remaining service lives of all employees. The recognition period for OPEB liabilities is 5.6018 years which is the average of the expected remaining service lives of all employees. The recognition period for assets is 5 years.

# ANCHOR BAY SCHOOL DISTRICT

## Notes to Financial Statements

### *Long-term Expected Return on Pension Plan Assets*

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of September 30, 2018, are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return	Expected Money-Weighted Rate of Return
Domestic equity pools	28.00%	5.70%	1.60%
Alternative investment pools	18.00%	9.20%	1.66%
International equity	16.00%	7.20%	1.15%
Fixed income pools	10.50%	0.50%	0.53%
Real estate and infrastructure pools	10.00%	3.90%	0.39%
Absolute return pools	15.50%	5.20%	0.81%
Short-term investment pools	2.00%	0.00%	0.00%
	<u>100.00%</u>		6.14%
Inflation			2.30%
Risk adjustment			<u>-1.39%</u>
Investment rate of return			<u>7.05%</u>

# ANCHOR BAY SCHOOL DISTRICT

## Notes to Financial Statements

### *Long-term Expected Return on OPEB Plan Assets*

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the OPEB plan's target asset allocation as of September 30, 2018, are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return	Expected Money-Weighted Rate of Return
Domestic equity pools	28.00%	5.70%	1.60%
Private equity pools	18.00%	9.20%	1.66%
International equity	16.00%	7.20%	1.15%
Fixed income pools	10.50%	0.50%	0.05%
Real estate and infrastructure pools	10.00%	3.90%	0.39%
Absolute return pools	15.50%	5.20%	0.78%
Short-term investment pools	2.00%	0.00%	0.00%
	<u>100.00%</u>		5.63%
Inflation			2.30%
Risk adjustment			<u>-0.78%</u>
Investment rate of return			<u>7.15%</u>

### *Discount Rate*

A discount rate of 7.05% was used to measure the total pension liability (7.0% for the Pension Plus plan, 6.0% for the Pension Plus 2 plan, both of which are hybrid plans provided through non-university employers only) and a discount rate of 7.15% was used to measure the total OPEB liability. This discount rate was based on the long-term expected rate of return on pension and OPEB plan investments of 7.05% (7.0% for the Pension Plus plan, 6.0% for the Pension Plus 2 plan) and 7.15%, respectively. The projection of cash flows used to determine these discount rates assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the pension and OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension and OPEB plan investments was applied to all periods of projected benefit payments to determine the total pension and OPEB liabilities.



# ANCHOR BAY SCHOOL DISTRICT

## Notes to Financial Statements

### *Sensitivity of District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate*

The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.05% (7.00% for the Pension Plus plan, 6.00% for the Pension Plus 2 plan), as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage higher:

	1% Decrease (6.05% / 6.00% / 5.00%)	Current Discount Rate (7.05% / 7.00% / 6.00%)	1% Increase (8.05% / 8.00% / 7.00%)
District's proportionate share of the net pension liability	\$ 144,421,294	\$ 109,999,840	\$ 81,401,207

### *Sensitivity of District's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate*

The following presents the District's proportionate share of the net OPEB liability calculated using the discount rate of 7.15%, as well as what the District's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage higher:

	1% Decrease (6.15%)	Current Discount Rate (7.15%)	1% Increase (8.15%)
District's proportionate share of the net OPEB liability	\$ 35,003,177	\$ 29,157,660	\$ 24,240,865

### *Sensitivity of District's Proportionate Share of the Net OPEB Liability to Healthcare Cost Trend Rate*

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

	1% Decrease (6.50%)	Current Healthcare Cost Trend Rate (7.50%)	1% Increase (8.50%)
District's proportionate share of the net OPEB liability	\$ 23,981,854	\$ 29,157,660	\$ 35,095,366

### *Pension and OPEB Plans Fiduciary Net Position*

Detailed information about the pension and OPEB plan's fiduciary net position is available in the separately issued MPSERS financial statements available on the State of Michigan Office of Retirement Services website at [www.michigan.gov/orsschools](http://www.michigan.gov/orsschools).

# ANCHOR BAY SCHOOL DISTRICT

## ■ Notes to Financial Statements

### *Payable to the Pension Plan*

At June 30, 2019, the District reported a payable of \$1,510,485 for the outstanding amount of pension contributions to the Plan required for the year ended June 30, 2019.

### *Payable to the OPEB Plan*

At June 30, 2019, the District reported a payable of \$321,069 for the outstanding amount of OPEB contributions to the Plan required for the year ended June 30, 2019.

## 15. SUBSEQUENT EVENTS

### *State Aid Notes*

On August 20, 2019, the District issued state aid note Series 2019A-1 in the amount of \$3,500,000 with an interest rate of 1.30%, which the District will pay in set asides beginning in March of 2020 through August of 2020, maturing on August 20, 2020.



## REQUIRED SUPPLEMENTARY INFORMATION

## ANCHOR BAY SCHOOL DISTRICT

### Required Supplementary Information MPSERS Cost-Sharing Multiple Employer Plan

#### Schedule of the District's Proportionate Share of the Net Pension Liability

	Year Ended June 30,				
	2019	2018	2017	2016	2015
District's proportion of the net pension liability	\$ 109,999,840	\$ 94,649,187	\$ 92,473,137	\$ 89,141,993	\$ 29,774,310
District's proportionate share of the net pension liability	0.36591%	0.36524%	0.37065%	0.36496%	0.34914%
District's covered payroll	\$ 31,191,135	\$ 30,190,630	\$ 31,388,251	\$ 30,328,646	\$ 29,194,362
District's proportionate share of the net pension liability as a percentage of its covered payroll	352.66%	313.51%	294.61%	293.92%	263.44%
Plan fiduciary net position as a percentage of the total pension liability	62.36%	64.21%	63.27%	63.17%	66.20%

The amounts presented for each fiscal year were determined as of September 30 of the preceding year.

Note: GASB 68 was implemented in fiscal year 2015. This schedule is being built prospectively. Ultimately, 10 years of data will be presented.

# ANCHOR BAY SCHOOL DISTRICT

## Required Supplementary Information MPSERS Cost-Sharing Multiple Employer Plan

### Schedule of the District's Pension Contributions

	Year Ended June 30,				
	2019	2018	2017	2016	2015
Statutorily required contribution	\$ 9,961,613	\$ 10,667,512	\$ 8,268,908	\$ 7,040,585	\$ 5,422,819
Contributions in relation to the statutorily required contribution	(9,961,613)	(10,667,512)	(8,268,908)	(7,040,585)	(5,422,819)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered payroll	\$ 33,122,787	\$ 31,420,218	\$ 30,067,167	\$ 30,296,972	\$ 29,888,253
Contributions as a percentage of covered payroll	30.07%	33.95%	27.50%	23.24%	18.14%

Note: GASB 68 was implemented in fiscal year 2015. This schedule is being built prospectively. Ultimately, 10 years of data will be presented.

# ANCHOR BAY SCHOOL DISTRICT

## Required Supplementary Information MPSERS Cost-Sharing Multiple Employer Plan

### Schedule of the District's Proportionate Share of the Net Other Postemployment Benefit Liability

	Year Ended June 30,	
	2019	2018
District's proportion of the net OPEB liability	\$ 29,157,660	\$ 32,295,942
District's proportionate share of the net OPEB liability	0.36681%	0.36470%
District's covered payroll	\$ 31,191,135	\$ 30,190,360
District's proportionate share of the net OPEB liability as a percentage of its covered payroll	93.48%	106.97%
Plan fiduciary net position as a percentage of the total OPEB liability	42.95%	36.39%

Note: GASB 75 was implemented in fiscal year 2018. This schedule is being built prospectively. Ultimately, 10 years of data will be presented.

# ANCHOR BAY SCHOOL DISTRICT

## Required Supplementary Information MPSERS Cost-Sharing Multiple Employer Plan

### Schedule of the District's Other Postemployment Benefit Contributions

	Year Ended June 30,	
	2019	2018
Statutorily required contribution	\$ 2,603,936	\$ 2,318,954
Contributions in relation to the statutorily required contribution	<u>(2,603,936)</u>	<u>(2,318,954)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 33,122,787	\$ 31,420,218
Contributions as a percentage of covered payroll	7.86%	7.38%

Note: GASB 75 was implemented in fiscal year 2018. This schedule is being built prospectively. Ultimately, 10 years of data will be presented.

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**COMBINING FUND  
FINANCIAL STATEMENTS**

# ANCHOR BAY SCHOOL DISTRICT

## Combining Balance Sheet Nonmajor Governmental Funds June 30, 2019

	Special Revenue	Debt Service	2003 Capital Projects Fund	2017 Capital Projects Funds	Total Nonmajor Governmental Funds
<b>Assets</b>					
Cash and cash equivalents	\$ 1,291,005	\$ -	\$ -	\$ -	\$ 1,291,005
Investments	71,003	366,244	177,266	79,045	693,558
Accounts receivable	4,020	-	-	-	4,020
Due from other governments	91,068	403	-	-	91,471
Inventory	16,858	-	-	-	16,858
<b>Total assets</b>	<b>\$ 1,473,954</b>	<b>\$ 366,647</b>	<b>\$ 177,266</b>	<b>\$ 79,045</b>	<b>\$ 2,096,912</b>
<b>Liabilities</b>					
Accounts payable	\$ 1,503	\$ 177	\$ -	\$ 28,365	\$ 30,045
Accrued liabilities	25,586	-	-	-	25,586
Salaries and benefits payable	38,928	-	-	-	38,928
Unearned revenue	803,629	-	-	-	803,629
<b>Total liabilities</b>	<b>869,646</b>	<b>177</b>	<b>-</b>	<b>28,365</b>	<b>898,188</b>
<b>Fund balances</b>					
Nonspendable	16,858	-	-	-	16,858
Restricted	395,799	366,470	177,266	50,680	990,215
Assigned	191,651	-	-	-	191,651
<b>Total fund balances</b>	<b>604,308</b>	<b>366,470</b>	<b>177,266</b>	<b>50,680</b>	<b>1,198,724</b>
<b>Total liabilities and fund balances</b>	<b>\$ 1,473,954</b>	<b>\$ 366,647</b>	<b>\$ 177,266</b>	<b>\$ 79,045</b>	<b>\$ 2,096,912</b>

# ANCHOR BAY SCHOOL DISTRICT

## Combining Statement of Revenues, Expenditures, and Changes in Fund Balances

Nonmajor Governmental Funds

For the Year Ended June 30, 2019

	Special Revenue	Debt Service	2003 Capital Projects Fund	2017 Capital Projects Funds	Total Nonmajor Governmental Funds
<b>Revenues</b>					
Local sources:					
Property taxes	\$ -	\$ 12,850,056	\$ -	\$ -	\$ 12,850,056
Revenue in lieu of taxes	-	24,684	-	-	24,684
Earnings on investments	1,805	95,433	3,994	69,202	170,434
Tuition	640,444	-	-	-	640,444
Food sales	1,147,745	-	-	-	1,147,745
Other local sources	28,974	-	-	-	28,974
State sources	501,148	-	-	-	501,148
Federal sources	949,045	-	-	-	949,045
<b>Total revenues</b>	<b>3,269,161</b>	<b>12,970,173</b>	<b>3,994</b>	<b>69,202</b>	<b>16,312,530</b>
<b>Expenditures</b>					
Food service	2,176,591	-	-	-	2,176,591
Student operations	21,534	-	-	-	21,534
International programs	440,190	-	-	-	440,190
Debt service:					
Principal	-	21,040,000	-	-	21,040,000
Interest and fiscal charges	-	5,841,491	-	-	5,841,491
Capital outlay	10,000	-	-	4,937,703	4,947,703
Other	3,828	-	-	-	3,828
<b>Total expenditures</b>	<b>2,652,143</b>	<b>26,881,491</b>	<b>-</b>	<b>4,937,703</b>	<b>34,471,337</b>
Revenue over (under) expenditures	617,018	(13,911,318)	3,994	(4,868,501)	(18,158,807)
<b>Other financing sources (uses)</b>					
Issuance of long-term debt	-	13,918,002	-	-	13,918,002
Transfers in	1,821	-	-	-	1,821
Transfers out	(660,000)	-	-	-	(660,000)
<b>Total other financing sources (uses)</b>	<b>(658,179)</b>	<b>13,918,002</b>	<b>-</b>	<b>-</b>	<b>13,259,823</b>
Net change in fund balances	(41,161)	6,684	3,994	(4,868,501)	(4,898,984)
Fund balances, beginning of year	645,469	359,786	173,272	4,919,181	6,097,708
Fund balances, end of year	\$ 604,308	\$ 366,470	\$ 177,266	\$ 50,680	\$ 1,198,724

# ANCHOR BAY SCHOOL DISTRICT

## Combining Balance Sheet Nonmajor Special Revenue Funds June 30, 2019

	Food Service	Student Operations	International Programs	Total
<b>Assets</b>				
Cash and cash equivalents	\$ 366,605	\$ 146,320	\$ 778,080	\$ 1,291,005
Investments	71,003	-	-	71,003
Accounts receivable	4,020	-	-	4,020
Due from other governments	17,510	-	73,558	91,068
Inventory	14,422	2,436	-	16,858
<b>Total assets</b>	<b>\$ 473,560</b>	<b>\$ 148,756</b>	<b>\$ 851,638</b>	<b>\$ 1,473,954</b>
<b>Liabilities</b>				
Accounts payable	\$ 1,503	\$ -	\$ -	\$ 1,503
Accrued liabilities	3,369	-	22,217	25,586
Salaries and benefits payable	7,591	-	31,337	38,928
Unearned revenue	50,876	-	752,753	803,629
<b>Total liabilities</b>	<b>63,339</b>	<b>-</b>	<b>806,307</b>	<b>869,646</b>
<b>Fund balances</b>				
Nonspendable -				
Inventory	14,422	2,436	-	16,858
Restricted for food service	395,799	-	-	395,799
Assigned for student operations	-	146,320	-	146,320
Assigned for international programs	-	-	45,331	45,331
<b>Total fund balances</b>	<b>410,221</b>	<b>148,756</b>	<b>45,331</b>	<b>604,308</b>
<b>Total liabilities and fund balances</b>	<b>\$ 473,560</b>	<b>\$ 148,756</b>	<b>\$ 851,638</b>	<b>\$ 1,473,954</b>

# ANCHOR BAY SCHOOL DISTRICT

## Combining Statement of Revenues, Expenditures and Changes in Fund Balances

Nonmajor Special Revenue Funds

For the Year Ended June 30, 2019

	Food Service	Student Operations	International Programs	Total
<b>Revenues</b>				
Local sources:				
Earnings on investments	\$ 1,805	\$ -	\$ -	\$ 1,805
Tuition	-	-	640,444	640,444
Food sales	1,147,745	-	-	1,147,745
Other local sources	-	28,974	-	28,974
State sources	96,579	-	404,569	501,148
Federal sources	949,045	-	-	949,045
<b>Total revenues</b>	<b>2,195,174</b>	<b>28,974</b>	<b>1,045,013</b>	<b>3,269,161</b>
<b>Expenditures</b>				
Salaries	751,775	-	198,041	949,816
Benefits	405,558	-	149,567	555,125
Purchased services	10,955	1,844	43,968	56,767
Supplies and materials	1,008,303	19,690	48,614	1,076,607
Capital outlay	-	-	10,000	10,000
Other	2,918	910	-	3,828
<b>Total expenditures</b>	<b>2,179,509</b>	<b>22,444</b>	<b>450,190</b>	<b>2,652,143</b>
<b>Revenues over expenditures</b>	<b>15,665</b>	<b>6,530</b>	<b>594,823</b>	<b>617,018</b>
<b>Other financing sources (uses)</b>				
Transfers in	-	1,821	-	1,821
Transfers out	(110,000)	-	(550,000)	(660,000)
<b>Total other financing sources (uses)</b>	<b>(110,000)</b>	<b>1,821</b>	<b>(550,000)</b>	<b>(658,179)</b>
<b>Net change in fund balances</b>	<b>(94,335)</b>	<b>8,351</b>	<b>44,823</b>	<b>(41,161)</b>
Fund balances, beginning of year	504,556	140,405	508	645,469
<b>Fund balances, end of year</b>	<b>\$ 410,221</b>	<b>\$ 148,756</b>	<b>\$ 45,331</b>	<b>\$ 604,308</b>

# ANCHOR BAY SCHOOL DISTRICT

## Combining Balance Sheet Nonmajor Debt Service Funds June 30, 2019

	2009 Debt Service	2011 Debt Service	2012 Debt Service
<b>Assets</b>			
Investments	\$ -	\$ -	\$ -
Due from other governments	-	-	-
<b>Total assets</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Liabilities</b>			
Accounts payable	\$ -	\$ -	\$ -
<b>Fund balances</b>			
Restricted for debt service	-	-	-
<b>Total liabilities and fund balances</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

2013 Debt Service	2016 School Bond Loan Fund	2016 Debt Service	2017 Debt Service	Total
\$ 366,244 403	\$ - -	\$ - -	\$ - -	\$ 366,244 403
<u>\$ 366,647</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 366,647</u>
\$ 177	\$ -	\$ -	\$ -	\$ 177
<u>366,470</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>366,470</u>
<u>\$ 366,647</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 366,647</u>

# ANCHOR BAY SCHOOL DISTRICT

## Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Debt Service Funds For the Year Ended June 30, 2019

	2009 Debt Service	2011 Debt Service	2012 Debt Service
Revenues			
Local sources:			
Property taxes	\$ 72,200	\$ 4,182,065	\$ 3,291,013
Revenue in lieu of taxes	-	-	-
Earnings on investments	-	-	-
Total revenues	<u>72,200</u>	<u>4,182,065</u>	<u>3,291,013</u>
Expenditures			
Debt service:			
Principal	2,410,000	2,765,000	2,225,000
Interest and fiscal charges	145,150	1,437,925	1,066,013
Total expenditures	<u>2,555,150</u>	<u>4,202,925</u>	<u>3,291,013</u>
Revenues over (under) expenditures	(2,482,950)	(20,860)	-
Other financing sources			
Issuance of long-term debt	<u>2,482,950</u>	<u>20,860</u>	<u>-</u>
Net change in fund balances	-	-	-
Fund balances, beginning of year	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>



2013 Debt Service	2016 School Bond Loan Fund	2016 Debt Service	2017 Debt Service	Total
\$ 2,610,371	\$ 1,925,814	\$ 423,605	\$ 344,988	\$ 12,850,056
24,684	-	-	-	24,684
95,433	-	-	-	95,433
<u>2,730,488</u>	<u>1,925,814</u>	<u>423,605</u>	<u>344,988</u>	<u>12,970,173</u>
1,640,000	12,000,000	-	-	21,040,000
1,083,804	1,340,006	423,605	344,988	5,841,491
<u>2,723,804</u>	<u>13,340,006</u>	<u>423,605</u>	<u>344,988</u>	<u>26,881,491</u>
6,684	(11,414,192)	-	-	(13,911,318)
-	11,414,192	-	-	13,918,002
6,684	-	-	-	6,684
359,786	-	-	-	359,786
<u>\$ 366,470</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 366,470</u>

# ANCHOR BAY SCHOOL DISTRICT

## Other Supplementary Information

### Schedule of Outstanding Bonded Indebtedness

#### 2009 Refunding Bonds

Original amount of issue: \$ 6,090,000  
Interest rate: 2.35% to 5.50%

Year Ended June 30,	Principal	Interest Payments	Total Fiscal Year Requirements
	May 1st	November 1st, May 1st	
2020	\$ 1,200,000	\$ 48,000	\$ 1,248,000

#### 2011 Refunding Bonds

Original amount of issue: \$ 34,600,000  
Interest rate: 2.00% to 5.00%

Year Ended June 30,	Principal	Interest Payments	Total Fiscal Year Requirements
	May 1st	November 1st, May 1st	
2020	\$ 2,805,000	\$ 1,298,925	\$ 4,103,925
2021	4,155,000	1,211,269	5,366,269
2022	4,190,000	1,003,519	5,193,519
2023	4,190,000	794,019	4,984,019
2024	3,045,000	584,519	3,629,519
2025	2,995,000	458,913	3,453,913
2026	2,945,000	335,369	3,280,369
2027	1,600,000	210,206	1,810,206
2028	1,595,000	140,206	1,735,206
2029	1,565,000	70,425	1,635,425
	<u>\$ 29,085,000</u>	<u>\$ 6,107,370</u>	<u>\$ 35,192,370</u>

# ANCHOR BAY SCHOOL DISTRICT

## Other Supplementary Information

### Schedule of Outstanding Bonded Indebtedness

#### 2012 Refunding Bonds

Original amount of issue: \$ 28,700,000  
Interest rate: 3.13% to 5.00%

Year Ended June 30,	Principal	Interest Payments	Total Fiscal Year
	May 1st	November 1st, May	
2020	\$ 2,275,000	\$ 954,563	\$ 3,229,563
2021	2,320,000	840,813	3,160,813
2022	2,345,000	724,813	3,069,813
2023	2,285,000	663,256	2,948,256
2024	2,280,000	549,006	2,829,006
2025	2,230,000	483,456	2,713,456
2026	2,195,000	394,256	2,589,256
2027	2,165,000	306,456	2,471,456
2028	2,110,000	238,800	2,348,800
2029	2,075,000	154,400	2,229,400
2030	2,040,000	71,400	2,111,400
	<u>\$ 24,320,000</u>	<u>\$ 5,381,219</u>	<u>\$ 29,701,219</u>

#### 2013 Refunding Bonds

Original amount of issue: \$ 33,280,000  
Interest rate: .200% to 5.00%

Year Ended June 30,	Principal	Interest Payments	Total Fiscal Year
	May 1st	November 1st, May	
2020	\$ 1,730,000	\$ 1,001,220	\$ 2,731,220
2021	1,770,000	966,620	2,736,620
2022	1,810,000	929,008	2,739,008
2023	1,850,000	886,020	2,736,020
2024	1,965,000	793,520	2,758,520
2025	2,015,000	734,570	2,749,570
2026	2,090,000	674,120	2,764,120
2027	2,165,000	605,150	2,770,150
2028	2,240,000	534,788	2,774,788
2029	2,335,000	456,388	2,791,388
2030	2,420,000	362,988	2,782,988
2031	2,510,000	278,288	2,788,288
2032	2,600,000	190,438	2,790,438
2033	2,565,000	96,188	2,661,188
	<u>\$ 30,065,000</u>	<u>\$ 8,509,306</u>	<u>\$ 38,574,306</u>

# ANCHOR BAY SCHOOL DISTRICT

## Other Supplementary Information

### Schedule of Outstanding Bonded Indebtedness

#### 2016 Refunding Bonds - Series A

Original amount of issue: \$ 8,465,000

Interest rate: 5.00%

Year Ended June 30,	Principal	Interest Payments	Total Fiscal Year
	May 1st	November 1st, May	
2020	\$ -	\$ 423,250	\$ 423,250
2021	1,100,000	423,250	1,523,250
2022	1,180,000	338,750	1,518,750
2023	1,230,000	293,625	1,523,625
2024	2,440,000	216,875	2,656,875
2025	2,515,000	93,875	2,608,875
	<u>\$ 8,465,000</u>	<u>\$ 1,789,625</u>	<u>\$ 10,254,625</u>

#### 2016 Refunding Bonds - Series B

Original amount of issue: \$ 63,445,000

Interest rate: 1.67% to 2.23%

Year Ended June 30,	Principal	Interest Payments	Total Fiscal Year
	May 1st	November 1st, May	
2020	\$ 26,000,000	\$ 1,119,339	\$ 27,119,339
2021	25,445,000	562,537	26,007,537
	<u>\$ 51,445,000</u>	<u>\$ 1,681,876</u>	<u>\$ 53,126,876</u>

# ANCHOR BAY SCHOOL DISTRICT

## Other Supplementary Information

### Schedule of Outstanding Bonded Indebtedness

#### 2017 Building and Site Bonds

Original amount of issue: \$ 10,930,000

Interest rate: 3.00% to 3.38%

Year Ended June 30,	Principal	Interest Payments	Total Fiscal Year
	May 1st	November 1st, May	
2020	\$ -	\$ 344,488	\$ 344,488
2021	-	344,488	344,488
2022	2,635,000	326,488	2,961,488
2023	-	265,438	265,438
2024	-	265,438	265,438
2025	-	265,438	265,438
2026	-	265,438	265,438
2027	-	265,438	265,438
2028	-	265,438	265,438
2029	-	265,438	265,438
2030	-	265,438	265,438
2031	-	265,438	265,438
2032	-	265,438	265,438
2033	-	265,438	265,438
2034	525,000	262,438	787,438
2035	525,000	246,688	771,688
2036	525,000	230,938	755,938
2037	540,000	215,188	755,188
2038	555,000	198,988	753,988
2039	575,000	181,769	756,769
2040	590,000	163,800	753,800
2041	605,000	145,363	750,363
2042	625,000	125,825	750,825
2043	645,000	105,513	750,513
2044	670,000	83,869	753,869
2045	690,000	61,256	751,256
2046	715,000	37,969	752,969
2047	510,000	13,838	523,838
	<u>\$ 10,930,000</u>	<u>\$ 6,008,724</u>	<u>\$ 16,938,724</u>

# ANCHOR BAY SCHOOL DISTRICT

## Other Supplementary Information

### Schedule of Outstanding Bonded Indebtedness

#### 2019 Building and Site Bonds

Original amount of issue: \$ 11,605,000

Interest rate: 3.00% to 5.00%

Year Ended June 30,	Principal	Interest Payments	Total Fiscal Year
	May 1st	November 1st, May	
2020	\$ -	\$ 461,469	\$ 461,469
2021	-	461,469	461,469
2022	1,690,000	461,469	2,151,469
2023	1,520,000	376,969	1,896,969
2024	-	300,969	300,969
2025	-	300,969	300,969
2026	-	300,969	300,969
2027	-	300,969	300,969
2028	-	300,969	300,969
2029	-	300,969	300,969
2030	-	300,969	300,969
2031	-	300,969	300,969
2032	-	300,969	300,969
2033	370,000	300,969	670,969
2034	-	289,869	289,869
2035	390,000	283,531	673,531
2036	420,000	270,369	690,369
2037	435,000	256,203	691,203
2038	450,000	241,269	691,269
2039	465,000	225,538	690,538
2040	480,000	208,700	688,700
2041	500,000	190,938	690,938
2042	515,000	172,541	687,541
2043	535,000	153,510	688,510
2044	545,000	133,594	678,594
2045	570,000	112,688	682,688
2046	590,000	90,938	680,938
2047	1,095,000	64,031	1,159,031
2048	1,035,000	19,406	1,054,406
	<u>\$ 11,605,000</u>	<u>\$ 7,484,191</u>	<u>\$ 19,089,191</u>

## SINGLE AUDIT ACT COMPLIANCE

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INDEPENDENT AUDITORS' REPORT ON THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
REQUIRED BY THE UNIFORM GUIDANCE

October 23, 2019

Board of Education  
Anchor Bay School District  
Casco Township, Michigan

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Anchor Bay School District (the "District") as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements. We issued our report thereon dated October 23, 2019, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (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 basic 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 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 schedule of expenditure of federal awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.



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# ANCHOR BAY SCHOOL DISTRICT

## Schedule of Expenditures of Federal Awards For the Year Ended June 30, 2019

Federal Agency / Cluster / Program Title	CFDA Number	Passed Through	Pass-through / Grantor Number	Approved Awards Amount
<b>U.S. Department of Agriculture</b>				
Child Nutrition Cluster:				
National School Breakfast Program:				
2017-2018 School Breakfast	10.553	MDE	181970	\$ 145,534
2018-2019 School Breakfast	10.553	MDE	191970	136,774
Entitlement commodities (non-cash assistance)	10.555	MDE	n/a	169,885
National School Lunch:				
2017-2018 Section 11	10.555	MDE	181960	628,719
2018-2019 Section 11	10.555	MDE	191960	627,343
Special Milk Program	10.556	MDE	-n/a-	365
<b>Total U.S. Department of Agriculture - Child Nutrition Cluster</b>				
<b>U.S. Department of Education</b>				
Title I:				
Title I, Part A - Improving Basic Programs	84.010	MDE	181530-1718	381,513
Title I, Part A - Improving Basic Programs	84.010	MDE	191530-1819	348,122
Special Education Cluster:				
IDEA Flow-through - C/O	84.027A	MISD	160450-1617	933,974
IDEA Flow-through	84.027A	MISD	170450-1718	1,285,060
IDEA Flow-through - C/O	84.027A	MISD	180450-1718	936,538
IDEA Flow-through	84.027A	MISD	190450-1819	1,341,427
IDEA Pre-school Grant	84.173A	MISD	190460-1819	62,330
<b>Total Special Education Cluster</b>				
2017-2018 Perkins	84.048	MISD	183520-181218	114,479
2018-2019 Perkins	84.048	MISD	193520-191216	149,648
Indian Education	84.060	Direct	SO60A160048	42,298

(Memo Only) Prior Year Expenditures	Accrued (Unearned) Revenue at July 1, 2018	Current Year Receipts	Current Year Expenditures	Accrued (Unearned) Revenue at June 30, 2019
\$ 130,856	\$ -	\$ 14,678	\$ 14,678	\$ -
-	-	136,774	136,774	-
<u>130,856</u>	<u>-</u>	<u>151,452</u>	<u>151,452</u>	<u>-</u>
-	-	169,885	169,885	-
563,925	-	64,794	64,794	-
-	-	562,548	562,548	-
<u>563,925</u>	<u>-</u>	<u>797,227</u>	<u>797,227</u>	<u>-</u>
-	-	365	365	-
<u>694,781</u>	<u>-</u>	<u>949,044</u>	<u>949,044</u>	<u>-</u>
373,686	38,759	38,759	-	-
-	-	321,908	332,964	11,056
<u>373,686</u>	<u>38,759</u>	<u>360,667</u>	<u>332,964</u>	<u>11,056</u>
933,974	150,897	150,897	-	-
1,285,060	222,032	222,032	-	-
-	-	733,963	936,538	202,575
-	-	1,044,917	1,337,594	292,677
<u>2,219,034</u>	<u>372,929</u>	<u>2,151,809</u>	<u>2,274,132</u>	<u>495,252</u>
-	-	55,180	62,330	7,150
<u>2,219,034</u>	<u>372,929</u>	<u>2,206,989</u>	<u>2,336,462</u>	<u>502,402</u>
114,479	30,947	30,947	-	-
-	-	68,566	149,648	81,082
<u>114,479</u>	<u>30,947</u>	<u>99,513</u>	<u>149,648</u>	<u>81,082</u>
-	-	42,298	42,298	-

continued...

# ANCHOR BAY SCHOOL DISTRICT

## Schedule of Expenditures of Federal Awards For the Year Ended June 30, 2019

Federal Agency / Cluster / Program Title	CFDA Number	Passed Through	Pass-through / Grantor Number	Approved Awards Amount
U.S. Department of Education (concluded)				
Title III, Part A - English Language	84.365A	MISD	180570	\$ 2,677
Title II:				
Title II, Part A - Improving Teacher Quality	84.367	MDE	180520-1718	134,674
Title II, Part A - Improving Teacher Quality	84.367	MDE	190520-1819	134,674
Title IV -				
Title IV, Part A - Student Support and Academic Enrichment Program	84.424A	MDE	1907050-1819	34,222
Emergency Impact Aid for Displaced Students	84.938C	MDE	2018-101	26,125
Impact Aid for Displaced Students - Assistance for Homeless Children and Youth	84.938B	MDE	2018-101	338
Total U.S. Department of Education				
Total Federal Financial Assistance				

See notes to schedule of expenditures of federal awards.

(Memo Only) Prior Year Expenditures	Accrued (Unearned) Revenue at July 1, 2018	Current Year Receipts	Current Year Expenditures	Accrued (Unearned) Revenue at June 30, 2019
\$ 2,677	\$ 1,188	\$ 1,188	\$ -	\$ -
101,610	3,977	3,977	-	-
-	-	69,795	73,382	3,587
<u>101,610</u>	<u>3,977</u>	<u>73,772</u>	<u>73,382</u>	<u>3,587</u>
-	-	23,519	30,248	6,729
-	-	26,125	26,125	-
-	-	338	338	-
<u>2,811,486</u>	<u>447,800</u>	<u>2,834,409</u>	<u>2,991,465</u>	<u>604,856</u>
<u>\$ 3,506,267</u>	<u>\$ 447,800</u>	<u>\$ 3,783,453</u>	<u>\$ 3,940,509</u>	<u>\$ 604,856</u>

concluded.

# ANCHOR BAY SCHOOL DISTRICT

## Notes to Schedule of Expenditures of Federal Awards

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of the Anchor Bay School District (the "District") under programs of the federal government for the year ended June 30, 2019. The information in this 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* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position, changes in net position or cash flows of the District.

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting, which is described in Note 1 to the District's financial statements. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule, if any, 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.

Cash received is recorded on the cash basis; expenditures are recorded on the modified accrual basis of accounting. Revenues are recognized when the qualifying expenditures have been incurred and all grant requirements have been met.

The Schedule has been arranged to provide information on both actual cash received and the revenue recognized. Accordingly, the effects of accruals of accounts receivable, unearned revenue and accounts payable items at both the beginning and end of the fiscal year have been reported.

Expenditures are in agreement with amounts reported in the financial statements and the financial reports. The amounts reported on the Grant Auditor Report reconcile with this Schedule.

### 2. 10% DE MINIMIS COST RATE

For purposes of charging indirect costs to federal awards, the District has not elected to use the 10 percent de minimis cost rate as permitted by §200.414 of the Uniform Guidance.

### 3. PASS-THROUGH AGENCIES

The District receives certain federal grants as subawards from non-federal entities. Pass-through entities, where applicable, have been identified in the Schedule with an abbreviation, defined as follows:

Pass-through Agency Abbreviation	Pass-through Agency Name
MDE	Michigan Department of Education
MISD	Macomb Intermediate School District





INDEPENDENT AUDITORS' 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*

October 23, 2019

Board of Education  
Anchor Bay School District  
Casco Township, Michigan

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of ***Anchor Bay School District*** (the "District"), as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated October 23, 2019.

#### Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the 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 District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

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

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

## Compliance and Other Matters

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

## Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Rehmann Lobson LLC*

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR THE MAJOR FEDERAL PROGRAM  
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

October 23, 2019

Board of Education  
Anchor Bay School District  
Casco Township, Michigan**Report on Compliance for the Major Federal Program**

We have audited the compliance of *Anchor Bay Public Schools* (the "District") with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the District's major federal program for the year ended June 30, 2019. The District's major federal program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

*Management's Responsibility*

Management is responsible for compliance with the federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

*Independent Auditors' Responsibility*

Our responsibility is to express an opinion on compliance for each of the District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination of the District's compliance.

### *Opinion on the Major Federal Program*

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2019.

### **Report on Internal Control Over Compliance**

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

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

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

### *Purpose of this Report*

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

A handwritten signature in black ink that reads "Rehmann Lobson LLC". The signature is written in a cursive, flowing style.

# ANCHOR BAY SCHOOL DISTRICT

## Schedule of Findings and Questioned Costs For the Year Ended June 30, 2019

### SECTION I - SUMMARY OF AUDITORS' RESULTS

#### Financial Statements

Type of auditors' report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified? \_\_\_\_\_ yes  X  no

Significant deficiency(ies) identified? \_\_\_\_\_ yes  X  none reported

Noncompliance material to financial statements noted? \_\_\_\_\_ yes  X  no

#### Federal Awards

Internal control over major programs:

Material weakness(es) identified? \_\_\_\_\_ yes  X  no

Significant deficiency(ies) identified? \_\_\_\_\_ yes  X  none reported

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? \_\_\_\_\_ yes  X  no

Identification of major programs and type of auditor's report issued on compliance for each major program:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>	<u>Type of Report</u>
84.027A & 84.173A	Special Education Cluster	Unmodified

Dollar threshold used to distinguish between Type A and Type B programs: \$ 750,000

Auditee qualified as low-risk auditee?  X  yes \_\_\_\_\_ no

# ANCHOR BAY SCHOOL DISTRICT

## Schedule of Findings and Questioned Costs For the Year Ended June 30, 2019

### SECTION II - FINANCIAL STATEMENT FINDINGS

No matters were reported.

### SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported.

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# ANCHOR BAY SCHOOL DISTRICT

## Summary Schedule of Prior Audit Findings For the Year Ended June 30, 2019

None reported.

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