

**CENTREVILLE PUBLIC SCHOOLS  
ST. JOSEPH COUNTY, MICHIGAN  
ANNUAL FINANCIAL REPORT  
YEAR ENDED JUNE 30, 2020**

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Education  
Centreville Public Schools  
Centreville, 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 Centreville Public Schools, Michigan (the "School District"), as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements as listed in the table of contents.

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

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

***Auditor's Responsibility***

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

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

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

## ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the School District as of June 30, 2020, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## ***Other Matters***

### ***Required Supplementary Information***

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

### ***Other Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the School 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.

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated October 26, 2020, on our consideration of the School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the School District's 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 School District's internal control over financial reporting and compliance.

A handwritten signature in dark ink that reads "Gabridge & Company". The script is cursive and fluid, with the ampersand being a simple loop.

Gabridge & Company, PLC  
Sturgis, MI  
October 26, 2020

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

**Centreville Public Schools**  
**Management's Discussion and Analysis**  
**June 30, 2020**

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This section of Centreville Public Schools (the "School District"), St. Joseph County, Michigan's annual financial report presents our discussion and analysis of the School District's financial performance during the year ended June 30, 2020. It is to be read in conjunction with the School District's financial statements, which immediately follow. This is a requirement of the Governmental Accounting Standards Board Statement No. 34 (GASB 34) *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments* and is intended to provide the financial results for the fiscal year ending June 30, 2020.

***Financial Highlights***

- For fiscal year ended 2020, the Board of Education originally adopted a balanced general fund budget with a projected change in fund balance of \$135,791. The actual results of operation in the general fund showed that actual expenditures were \$188,552 less than the final general fund budget and that actual revenues were \$116,192 less than the final general fund budget.
- At June 30, 2020 the total net position was a deficit of \$(8,006,823) of which \$(13,029,421) was deficit unrestricted net position.
- The total net position decreased \$1,941,635, from \$(6,065,188) as of June 30, 2019 to \$(8,006,823) as of June 30, 2020. Refer to the district-wide financial statements – change in net position for fiscal year ended June 30, 2019 and June 30, 2020 for explanations regarding the net position increase.
- At June 30, 2020 the total fund balance for the general fund was \$1,382,840.

***Overview of the Financial Statements***

This annual report consists of three parts: management's discussion and analysis (this section), the basic financial statements, and supplemental information. The basic financial statements include two kinds of statements that present different views of the School District:

- The first two statements, the statement of net position and the statement of activities, are *district-wide financial statements* that provide both short-term and long-term information about the School District's overall financial status.
- The remaining statements are *fund financial statements* that focus on individual parts of the School District, reporting the School District's operations in more detail than the district-wide statements.
  - *Governmental funds statements* tell how basic services such as regular and special education were financed in the short-term as well as what remains for future spending.

**Centreville Public Schools  
Management's Discussion and Analysis  
June 30, 2020**

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The basic financial statements also include the notes to the financial statements that explain the information in the basic financial statements and provide more detailed data. Supplementary information follows and includes combining and individual fund statements as well as a budgetary comparison schedule for the general fund.

***District-wide Financial Statements***

The district-wide financial statements report information about the School District as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the School District's assets, deferred outflows and inflows, and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two district-wide statements report the School District's net position, and how they have changed. Net position – the difference between the School District's assets, deferred outflows and inflows, and liabilities - is one way to measure the School District's financial health or position.

Over time, increases or decreases in the School District's net position are an indicator of whether its financial position is improving or deteriorating, respectively.

To assess the School District's overall health, one should consider additional non-financial factors such as changes in the School District's property tax-base and the condition of school buildings and other facilities.

In the district-wide financial statements, the School District's activities are presented as governmental activities. *Governmental activities* include the School District's basic services, such as regular and special education, instructional support, transportation, administration, community services, food service, and athletics. State aid and property taxes finance most of these activities.

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

The table on the following page is a comparative highlight of the current and prior year financial activities.



**Centreville Public Schools**  
**Management's Discussion and Analysis**  
**June 30, 2020**

**Centreville Public Schools' Net Position**

<b>ASSETS</b>	<b>2020</b>	<b>2019</b>
<i>Current Assets</i>		
Cash and cash equivalents	\$ 8,018,438	\$ 1,789,114
Accounts receivable	47,634	91,962
Due from other governmental units	1,326,466	1,361,111
Other assets	19,660	103,844
<b><i>Total Current Assets</i></b>	<b>9,412,198</b>	<b>3,346,031</b>
<i>Noncurrent Assets</i>		
Capital assets, net	12,274,543	12,722,931
<b><i>Total Assets</i></b>	<b>21,686,741</b>	<b>16,068,962</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Pension	3,668,977	5,625,836
OPEB	948,130	909,580
<b><i>Total Deferred Outflows of Resources</i></b>	<b>4,617,107</b>	<b>6,535,416</b>
<b>LIABILITIES</b>		
<i>Current Liabilities</i>		
Accounts payable	194,321	208,913
Accrued payroll and related liabilities	670,013	498,514
Accrued interest	61,701	58,588
Unearned revenue	6,351	2,793
Short-term note payable	800,000	900,000
Current portion of long-term debt	783,911	768,911
<b><i>Total Current Liabilities</i></b>	<b>2,516,297</b>	<b>2,437,719</b>
<i>Noncurrent Liabilities</i>		
Compensated absences	53,678	54,719
Bonds payable	12,598,011	8,010,336
Net pension liability	14,213,654	12,967,295
Net OPEB liability	3,075,076	3,486,449
<b><i>Total Liabilities</i></b>	<b>32,456,716</b>	<b>26,956,518</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Pension	586,447	1,134,210
OPEB	1,267,508	792,867
<b><i>Total Deferred Inflows of Resources</i></b>	<b>1,853,955</b>	<b>1,927,077</b>
<b>NET POSITION</b>		
Net Investment in Capital Assets	4,171,852	3,943,684
Restricted	850,746	407,071
Unrestricted	(13,029,421)	(10,629,972)
<b><i>Total Net Position</i></b>	<b>\$ (8,006,823)</b>	<b>\$ (6,279,217)</b>

**Centreville Public Schools  
Management's Discussion and Analysis  
June 30, 2020**

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Cash and cash equivalents increased by \$6,229,324 as a result of \$5,287,006 of unspent bond proceeds remaining in the 2020 capital projects fund at year-end. These funds will be used to finance various school improvement projects in the ensuing years. Capital assets decreased by \$448,388 which was composed of capital outlay of \$98,932 and depreciation expense of \$547,320.

Net pension liability, net OPEB liability, and their related deferrals saw a net decrease of \$1,258,263 and a net increase of \$101,818, respectively, due to market conditions. Long-term debt increased by \$4,602,675 as a result of \$5,371,586 2020 school building and site bonds issuance (net of bond premium), \$755,000 of bond principal payments made during the year, and \$13,911 of bond premium and discount amortization.

The results of the fiscal year's operations for the School District as a whole are presented in the statement of activities, which shows the change in total net position for the year. The statement of activities presents the following changes in net position from operating results.

**Centreville Public Schools**  
**Management's Discussion and Analysis**  
**June 30, 2020**

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**Centreville Public Schools' Changes in Net Position**

<b>Revenues</b>	<b>2020</b>	<b>2019</b>
<b>Program Revenues</b>		
Charges for services	\$ 724,238	\$ 198,504
Operating grants and contributions	2,598,045	1,977,796
<b>Total Program Revenues</b>	<b>3,322,283</b>	<b>2,176,300</b>
<b>General Revenues</b>		
Property taxes	1,856,725	1,830,422
Unrestricted state sources	5,679,337	5,843,601
Interest and investment earnings	23,941	4,914
<b>Total General Revenues</b>	<b>7,560,003</b>	<b>7,678,937</b>
<b>Total Revenues</b>	<b>10,882,286</b>	<b>9,855,237</b>
<b>Expenses</b>		
Instruction	7,712,448	4,505,584
Supporting services	3,230,066	2,405,540
Food services	571,592	338,590
Athletics	410,918	250,464
Community services	22,754	19,896
Interest on long-term debt	253,145	246,075
Unallocated depreciation	547,320	538,283
Bond issuance costs	75,678	-
<b>Total Expenses</b>	<b>12,823,921</b>	<b>8,304,432</b>
<b>Change in Net Position</b>	<b>(1,941,635)</b>	<b>1,550,805</b>
<i>Net Position at Beginning of Period (Restated)</i>	<i>(6,065,188)</i>	<i>(7,830,022)</i>
<b>Net Position at End of Period</b>	<b>\$ (8,006,823)</b>	<b>\$ (6,279,217)</b>

Overall revenues increased by \$1,027,049 as a result of a \$620,249 increase of COVID funding that was received in the food service fund due to the emergency closure and a \$484,533 increase in student activity fund revenues due to the implementation of GASB 84.

Instruction and supporting service expenses increased by \$4,031,390 due to the changes in both net pension liability and net OPEB liability as described in an earlier section of this report as well as a \$482,284 increase in student activity fund expenses due to the implementation of GASB 84.

***Fund Financial Statements***

The fund financial statements provide more detailed information about the School District's funds, focusing on its most significant or "major" funds - not the School District as a whole. Funds are accounting devices the School District uses to keep track of specific sources of funding and spending on particular programs.

**Centreville Public Schools  
Management's Discussion and Analysis  
June 30, 2020**

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The School District utilizes *Governmental funds* within this report. Most of the School District's basic services are included in governmental funds, which generally focus on: 1) how cash and other financial assets that can readily be converted to cash flow in and out and 2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the School District's programs. Since the district-wide financial statements and the fund financial statements use different methods of accounting to report the School District's financial condition, a reconciliation is included in the financial statements showing the differences between the two types of statements.

***Financial Analysis of the School District's Funds***

The School District uses funds to record and analyze financial information. The School District has the following two major funds:

The ***general fund*** is the School District's primary operating fund. The general fund had revenues of \$8,349,627 and expenditures of \$8,277,267. The general fund ended the year with a \$72,360 increase in fund balance for a total fund balance of \$1,382,840 as of June 30, 2020, up from \$1,310,480 as of June 30, 2019.

The ***2020 capital projects fund*** had an increase of \$5,279,231 in fund balance during the year, entirely a result of the 2020 school building and site bonds that were issued in June 2020. The bond proceeds will be expended in future years for various improvement projects.

***General Fund Budgetary Highlights***

During the year the School District revised its budget to attempt to match changes in the school funding environment and current needs of students and faculty. State law requires that budgets be amended during the year so actual expenditures do not exceed appropriations. The initial budget for the year ended June 30, 2020, was adopted by the Board of Education in June 2019, with the final amendments made on May 26, 2020.

*Original budget compared to final budget.* The original budget was amended during the year as actual results needed adjusting from the original budgeted estimates. The original budget for basic programs increased from \$4,165,389 to \$4,295,660 and the original budget for state sources revenue decreased from \$7,182,947 to \$7,051,928.

*Final budget compared to actual results.* The School District had the following expenditures in excess of the amounts appropriated during the year ended June 30, 2020:

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
<b>General Fund</b>			
Adult education	\$ 74,471	\$ 75,753	\$ (1,282)
Pupil	186,943	199,273	(12,330)

**Centreville Public Schools  
Management's Discussion and Analysis  
June 30, 2020**

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***Capital Asset and Debt Administration***

***Capital Assets***

At June 30, 2020, the School District had \$12,274,543 invested in capital assets. This included a net decrease during the past fiscal year of \$448,388 consisting of depreciation charges of \$547,320 and capital asset purchases of \$98,932.

More detailed information about the School District's capital assets can be found in the notes to the financial statements section of this document.

***Long-term Debt***

At year end, the School District had total long-term debt of \$13,381,922. The School District issued 2020 school building and site bonds in the amount of \$5,005,000 for future school improvement projects. The School District continued to pay down its debt, retiring \$755,000 of outstanding bonds during the year. In addition, \$16,980 was amortized for bond premium and \$3,069 was amortized for bond discount during the year.

The State limits the amount of general obligation debt that schools can issue. The School District is well under the State limit as of June 30, 2020.

More detailed information about the School District's long-term debt can be found in the notes to the financial statements section of this document.

***Economic Factors and Next Year's Budget and Rates***

The School District's budget for the 2021 fiscal year projects total revenues of \$7,949,451 and total expenditures of \$7,986,016. The School District continues to work to balance its expenditures while providing an excellent education to the District it serves. Additionally, administration and the Board of Education are currently working to determine the significance that the COVID-19 Pandemic will have on the School District's upcoming revenues and expenditures.

***Requests for Information***

This financial report is designed to provide our citizens, taxpayers, customers and investors and creditors with a general overview of the School District's finances and to demonstrate the School District's accountability for the money it receives. If you have questions about this report or need additional information, contact:

Business Department  
Centreville Public Schools  
190 Hogan Street  
Centreville, MI 49032

## **BASIC FINANCIAL STATEMENTS**

**Centreville Public Schools**  
**Statement of Net Position**  
**June 30, 2020**

**ASSETS**

*Current Assets*

Cash and cash equivalents	\$ 8,018,438
Accounts receivable	47,634
Due from other governmental units	1,326,466
Prepaid items	7,513
Inventory	12,147
<b>Total Current Assets</b>	<b>9,412,198</b>

*Noncurrent Assets*

Capital assets not being depreciated	18,209
Capital assets being depreciated, net	12,256,334
<b>Total Assets</b>	<b>21,686,741</b>

**DEFERRED OUTFLOWS OF RESOURCES**

Pension	3,668,977
OPEB	948,130
<b>Total Deferred Outflows of Resources</b>	<b>4,617,107</b>

**LIABILITIES**

*Current Liabilities*

Accounts payable	194,321
Accrued payroll and related liabilities	669,713
Accrued interest	62,001
Unearned revenue	6,351
Short-term note payable	800,000
Current portion of long-term debt	783,911
<b>Total Current Liabilities</b>	<b>2,516,297</b>

*Noncurrent Liabilities*

Compensated absences	53,678
Bonds payable	12,598,011
Net pension liability	14,213,654
Net OPEB liability	3,075,076
<b>Total Liabilities</b>	<b>32,456,716</b>

**DEFERRED INFLOWS OF RESOURCES**

Pension	586,447
OPEB	1,267,508
<b>Total Deferred Inflows of Resources</b>	<b>1,853,955</b>

**NET POSITION**

Net investment in capital assets	4,171,852
<i>Restricted for:</i>	
Debt service	358,164
Capital projects	23,601
Food service	468,981
<i>Unrestricted (deficit)</i>	(13,029,421)
<b>Total Net Position</b>	<b>\$ (8,006,823)</b>

The Notes to the Financial Statements are an integral part of these Financial Statements

**Centreville Public Schools**  
**Statement of Activities**  
**For the year Ended June 30, 2020**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Instruction	\$ 7,712,448	\$ 33,629	\$ 1,416,506	\$ --	\$ (6,262,313)
Supporting services	3,230,066	484,818	361,000	--	(2,384,248)
Community services	22,754	--	--	--	(22,754)
Food service	571,592	147,050	820,539	--	395,997
Athletics	410,918	58,741	--	--	(352,177)
Interest on long-term debt	253,145	--	--	--	(253,145)
Depreciation (unallocated)	547,320	--	--	--	(547,320)
Bond issuance costs	75,678	--	--	--	(75,678)
<b>Total</b>	<b>\$ 12,823,921</b>	<b>\$ 724,238</b>	<b>\$ 2,598,045</b>	<b>\$ --</b>	<b>(9,501,638)</b>

**General Purpose Revenues:**

State sources	5,679,337
Property taxes, levied for general operations	791,299
Property taxes, levied for debt service	1,065,426
Interest and investment earnings	23,941
<b>Total General Revenues</b>	<b>7,560,003</b>
<b>Change in Net Position</b>	<b>(1,941,635)</b>
<i>Net Position at Beginning of Period (Restated, Note 14)</i>	<i>(6,065,188)</i>
<b>Net Position at End of Period</b>	<b>\$ (8,006,823)</b>

The Notes to the Financial Statements are an integral part of these Financial Statements



**Centreville Public Schools  
Balance Sheet  
Governmental Funds  
June 30, 2020**

		<u>Capital Projects</u>		
	<u>General</u>	<u>2020 Capital Projects</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>				
Cash and cash equivalents	\$ 2,007,186	\$ 5,287,006	\$ 724,246	\$ 8,018,438
Accounts receivable	45,148	--	2,486	47,634
Due from other governmental units	1,176,882	--	149,584	1,326,466
Prepaid items	7,513	--	--	7,513
Inventory	--	--	12,147	12,147
Due from other funds	2,818	--	242,140	244,958
<b>Total Assets</b>	<b>\$ 3,239,547</b>	<b>\$ 5,287,006</b>	<b>\$ 1,130,603</b>	<b>\$ 9,657,156</b>
<b>LIABILITIES</b>				
Accounts payable	\$ 133,521	\$ 7,775	\$ 53,025	\$ 194,321
Accrued payroll and related liabilities	668,348	--	1,365	669,713
Accrued interest	12,698	--	--	12,698
Unearned revenue	--	--	6,351	6,351
Short-term note payable	800,000	--	--	800,000
Due to other funds	242,140	--	2,818	244,958
<b>Total Liabilities</b>	<b>1,856,707</b>	<b>7,775</b>	<b>63,559</b>	<b>1,928,041</b>
<b>FUND BALANCE</b>				
Nonspendable	7,513	--	12,147	19,660
Restricted	--	5,279,231	838,599	6,117,830
Committed	--	--	216,298	216,298
Unassigned	1,375,327	--	--	1,375,327
<b>Total Fund Balance</b>	<b>1,382,840</b>	<b>5,279,231</b>	<b>1,067,044</b>	<b>7,729,115</b>
<b>Total Liabilities and Fund Balance</b>	<b>\$ 3,239,547</b>	<b>\$ 5,287,006</b>	<b>\$ 1,130,603</b>	<b>\$ 9,657,156</b>

The Notes to the Financial Statements are an integral part of these Financial Statements

**Centreville Public Schools**  
**Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Position**  
**June 30, 2020**

Total Fund Balance - Governmental Funds	\$ 7,729,115
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the fund statement. This amount represents capital assets of \$23,070,919 less accumulated depreciation of \$10,796,376.	12,274,543
Long-term liabilities, including bond premiums and discounts, are not due and payable in the current period and, therefore, are not reported in the funds.	(13,381,922)
Accrued interest is recorded in the statement of activities when incurred; it is not reported in governmental funds until paid.	(49,303)
Certain liabilities are not due and payable in the current period and, therefore, are not reported in the funds. This represents the sum of the net OPEB liability and its related deferred inflows and deferred outflows.	(4,528,664)
Certain liabilities are not due and payable in the current period and, therefore, are not reported in the funds. This represents the sum of the net pension liability and its related deferred inflows and deferred outflows.	(9,996,914)
Compensated absences are not due and payable in the current period and, therefore, are not reported in the funds.	(53,678)
<b>Total Net Position - Governmental Activities</b>	<b>\$ <u>(8,006,823)</u></b>

The Notes to the Financial Statements are an integral part of these Financial Statements

**Centreville Public Schools**  
**Statement of Revenues, Expenditures, and Changes in Fund Balance**  
**Governmental Funds**  
**For the year Ended June 30, 2020**

		<u>Capital Projects</u>		
	<u>General</u>	<u>2020 Capital Projects</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Revenues</b>				
Local sources	\$ 901,751	\$ 1,532	\$ 1,677,544	\$ 2,580,827
State sources	6,926,943	--	19,287	6,946,230
Federal sources	151,404	--	808,796	960,200
Interdistrict sources	369,529	--	11,589	381,118
<b>Total Revenues</b>	<b>8,349,627</b>	<b>1,532</b>	<b>2,517,216</b>	<b>10,868,375</b>
<b>Expenditures</b>				
Instruction	5,346,240	--	482,284	5,828,524
Supporting services	2,610,458	--	30,823	2,641,281
Community services	17,394	--	--	17,394
Food service	--	--	558,995	558,995
Athletics	303,175	--	--	303,175
Capital outlay	--	18,209	--	18,209
Debt service - principal	--	--	755,000	755,000
Debt service - interest	--	--	244,170	244,170
Debt service - bond issuance costs	--	75,678	--	75,678
<b>Total Expenditures</b>	<b>8,277,267</b>	<b>93,887</b>	<b>2,071,272</b>	<b>10,442,426</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>72,360</b>	<b>(92,355)</b>	<b>445,944</b>	<b>425,949</b>
<b>Other Financing Sources (Uses)</b>				
General obligation bonds issued	--	5,005,000	--	5,005,000
Premium on bonds issued	--	366,586	--	366,586
<b>Net Other Financing Sources (Uses)</b>	<b>--</b>	<b>5,371,586</b>	<b>--</b>	<b>5,371,586</b>
<b>Net Change in Fund Balance</b>	<b>72,360</b>	<b>5,279,231</b>	<b>445,944</b>	<b>5,797,535</b>
<b>Fund Balance at Beginning of Period (Restated, Note 14)</b>	<b>1,310,480</b>	<b>--</b>	<b>621,100</b>	<b>1,931,580</b>
<b>Fund Balance at End of Period</b>	<b>\$ 1,382,840</b>	<b>\$ 5,279,231</b>	<b>\$ 1,067,044</b>	<b>\$ 7,729,115</b>

The Notes to the Financial Statements are an integral part of these Financial Statements

**Centreville Public Schools**  
**Reconciliation of Governmental Funds Statement of Revenues, Expenditures, and**  
**Changes in Fund Balance with Statement of Activities**  
**For the year Ended June 30, 2020**

Total Net Change in Fund Balances - Governmental Funds	\$	5,797,535
--	----	-----------

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. This amount represents depreciation expense of \$547,320 less current year capital outlay expenditures of \$98,932.

(448,388)

Compensated absences that are not payable from current year resources are not reported as expenditures of the current year in the funds. In the statement of activities, those costs represent expenses of the current year.

1,041

Long-term debt payments are reported as financing uses in the governmental funds and thus contribute to the change in fund balance. However, debt payments reduce long-term debt on the statement of net position. This represents the amount of principal payment made during the year on long-term debt and amortization of bonds premium.

(4,616,586)

Accrued interest on bonds is recorded in the statement of activities when incurred; it is not recorded in governmental funds until it is paid.

4,936

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 the funds. This amount represents the change in net OPEB liability, and the related deferred inflows and outflows, during the year.

(24,718)

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 the funds. This amount represents the change in net pension liability, and the related deferred inflows and outflows, during the year.

(2,655,455)

<b>Changes in Net Position - Governmental Activities</b>	<b>\$</b>	<b><u>(1,941,635)</u></b>
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## **NOTES TO THE FINANCIAL STATEMENTS**

# Centreville Public Schools

## Notes to the Financial Statements

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### **Note 1 - Summary of Significant Accounting Policies**

The accounting policies of Centreville Public Schools (the “School District” or “government”) conform to generally accepted accounting principles as applicable to school districts. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The School District’s significant accounting policies are described below:

#### **Reporting Entity**

The School District is governed by an elected seven-member Board of Education. The accompanying financial statements have been prepared in accordance with criteria established by the Governmental Accounting Standards Board for determining the various governmental organizations to be included in the reporting entity. These criteria include significant operational financial relationships that determine which of the governmental organizations are a part of the School Districts' reporting entity, and which organizations are legally separate, component units of the school district. Based on the application of the criteria, the district does not contain any component units.

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

The district-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the government. For the most part, the effect of interfund activity has been removed from these statements. The School District reports *Governmental activities*, which normally are supported by taxes and intergovernmental revenues.

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 district-wide financial statements. Major individual funds are reported as separate columns in the fund financial statements.

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

District-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Agency funds also use the accrual basis of accounting, but do not have a measurement focus. Revenues are recorded when earned and expenses are recorded

## Centreville Public Schools

### Notes to the Financial Statements

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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 grantor or provider have been met.

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, or one year for reimbursement-based grants. 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 and claims and judgments, are recorded only when payment is due.

Revenues susceptible to accrual are property taxes, state aid, federal, inter-district revenues, and interest income and, accordingly, have been recognized as revenues of the current fiscal year. Other revenues are recognized when received.

The School District reports the following major funds:

The ***general fund*** is the general operating fund of the School District. It is used to account for all financial resources, except those required to be accounted for in another fund.

The ***2020 capital projects fund*** is used to account for bond proceeds specifically designed for the remodeling and improvements of facilities.

Additionally, the School District reports the following fund types:

***Special revenue funds*** are used to account for the proceeds of specific revenue sources that are restricted to expenditures for specified purposes.

***Debt service funds*** are used to account for the accumulation of resources for, and the payment of, long-term debt (bonds, notes, loans, and leases) principal, interest, and related costs.

***Capital projects funds*** account for the accumulation and disbursement of resources for the construction of governmental fund capital projects.

#### ***Budgets and Budgetary Accounting***

Annual budgets are adopted on a basis consistent with generally accepted accounting principles and state law for the general and special revenue funds. All annual appropriations lapse at fiscal year-end.

## **Centreville Public Schools**

### **Notes to the Financial Statements**

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The budget document presents information by fund and function. The legal level of budgetary control adopted by the governing body (i.e., the level at which expenditures may not legally exceed appropriations) is the functional level. State law requires the district to have its budget in place by July 1. Expenditures in excess of amounts budgeted is a violation of Michigan Law. State law permits districts to amend its budgets during the year.

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

#### ***Property Taxes***

Property taxes are assessed as of December 31 and the related property taxes become a lien on December 1 of the following year. Taxes are recognized as current property tax revenue to the extent that they are collected during the year or within 60 days after year-end. Taxes are considered delinquent on March 1 of the following year. At this time, penalties and interest are assessed and the total obligation is added to the county tax rolls. Assessed values are established annually by the various governmental units within the School District and are equalized by the State of Michigan.

#### **Assets, Liabilities, Deferred Outflows and Inflows, and Fund Equity**

##### ***Cash and Cash Equivalents***

The School 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.

State statutes and School District policy authorize the School District to invest in:

- Bonds, securities, other obligations, and repurchase agreements of the United States, or an agency or instrumentality of the United States.
- Certificates of deposit, savings accounts, deposit accounts or depository receipts of a qualified financial institution.
- Commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services and that matures not more than 270 days after the date of purchase.
- Bankers' acceptances of United States banks.



## **Centreville Public Schools**

### **Notes to the Financial Statements**

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- Obligations of the State of Michigan and its political subdivisions, that, at the time of purchase are rated as investment grade by at least one standard rating service.
- Mutual funds registered under the Investment Company Act of 1940 with the authority to purchase only investment vehicles that are legal for direct investment by a public corporation.
- External investment pools as authorized by the surplus funds investment pool act, Act. No. 367 of the Public Acts of 1982, being sections 129.11 to 129.118 of the Michigan Compiled Laws, composed entirely of instruments that are legal for direct investment by a school district.

#### ***Investments***

Investments are stated at fair market value. Investments are exposed to various risks, such as significant external events, interest rate, credit, and overall market volatility risks. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the fair value of investments will occur in the near term and that such changes could materially affect the amounts reported in the statement of net position.

#### ***Receivables and Payables***

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year and all other outstanding balances between funds are referred to as “due to/from other funds” (i.e., the current portion of interfund loans).

All receivables are shown net of an allowance for uncollectibles, as applicable. All amounts deemed to be uncollectible are charged against the allowance for doubtful accounts in the period that determination is made. No amounts have been deemed uncollectable during the current year.

#### ***Inventories and Prepaids***

Inventories are valued at cost using the first-in/first-out (FIFO) method and consist of food commodities and related supplies.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

#### ***Capital Assets***

Capital assets, which include land, outside site improvements, buildings and additions, furniture and other equipment, and vehicles are reported in the district-wide financial statements. Assets having a useful life in excess of five years and whose costs exceed \$5,000 are capitalized. Capital

## Centreville Public Schools

### Notes to the Financial Statements

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assets are stated at historical cost or estimated historical cost where actual cost information is not available. Donated capital assets are stated at acquisition value at the date of donation.

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

Land improvements, buildings and additions, furniture and equipment and vehicles are depreciated using the straight-line method over the following estimated useful lives:

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

#### ***Pension***

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Michigan Public School Employees Retirement System (MPERS) and additions to/deductions from MPERS fiduciary net position have been determined on the same basis as they are reported by MPERS. 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.

#### ***Postemployment Benefits Other Than Pensions***

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the Michigan Public School Employees Retirement System (MPERS) and additions to/deductions from MPERS fiduciary net position have been determined on the same basis as they are reported by MPERS. 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.

#### ***Deferred Outflows of Resources***

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. The School District has two items that qualify for reporting in this category. They are the pension and other postemployment benefits related items reporting in the district-wide statement of net position.

## **Centreville Public Schools**

### **Notes to the Financial Statements**

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Deferred outflows are recognized for pension and other postemployment benefit related items. These amounts are expensed in the plan year in which they apply.

#### ***Deferred Inflows of Resources***

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The School District has two items that qualify for reporting in this category. These items are future resources yet to be recognized in relation to the pension and other postemployment benefit actuarial calculation. These future resources arise from differences in the estimates used by the actuary to calculate the pension and other postemployment benefit liability and the actual results. The amounts are amortized over a period determined by the actuary.

#### ***Salaries Payable and Accrued Employee Benefits***

A liability is recorded at June 30 for those amounts owed to teachers and other employees of the School District who do not work during the summer when school is not in session but have elected to have their salaries paid over an entire year. This has the effect of properly charging their salaries to expenditures in the fiscal year in which their services are received, even though they are not paid until July and August of the following fiscal year.

The liability for accrued retirement and the employer share of FICA related to the salaries payable has been recorded as has the liability for the employee health insurance premiums for the months of July and August. The School District pays these insurances for this period as part of the compensation for services rendered in the preceding school year.

#### ***Compensated Absences***

School District employees are granted vacation and sick leave in varying amounts based on length of service. Unused vacation time and sick leave accumulate from year to year at varying rates, depending on the employees' applicable rate of pay and/or employment category. The liability for compensated absences includes salary-related payments.

In the fund financial statements, only the matured liability for compensated absences is reported. The total liability is reported in the district-wide financial statements.

#### ***Long-term Obligations***

In the district-wide financial statements, long-term debt and other long-term obligations are reported as liabilities on the statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds. Bond issuance costs are recorded as a period expense. Bonds payable are reported at the total amount of bonds issued.

## Centreville Public Schools

### Notes to the Financial Statements

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In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuance are reported as other financing sources while discounts on debt issuance are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenditures.

#### ***Net Position Flow Assumption***

Sometimes the School District will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied.

It is the School District's policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

#### ***Fund Balance Flow Assumptions***

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

#### ***Fund Balance Policies***

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. 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 resources by grantors, contributors, or laws or regulations of other governments. The School District itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

The *committed fund balance* classification includes amounts that can be used only for the specific purposes determined by a formal action of the School District's highest level of decision-making authority. The Board of Education is the highest level of decision-making authority for the government that can, by adoption of a resolution prior to the end of the fiscal year, commit fund

## Centreville Public Schools

### Notes to the Financial Statements

balance. Once adopted, the limitation imposed by the resolution remains in place until a similar action is taken (the adoption of another resolution) to remove or revise the limitation.

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

*Unassigned fund balance* is the residual classification for the School District's general fund and includes all spendable amounts not contained in the other classifications and is therefore available to be spent as determined by the Board of Education.

#### *Use of Estimates*

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

#### **Note 2 - Stewardship, Compliance, and Accountability**

##### *Capital Projects Fund Compliance*

The capital projects fund includes capital project activities funded with bonds issued after May 1, 1994. For these capital projects, the School District has complied with the applicable provisions of Section 1351a of the Michigan Revised School Code.

##### *Budgetary Compliance*

The School District had the following expenditures in excess of the amounts appropriated as of June 30, 2020:

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
<b>General Fund</b>			
Adult education	\$ 74,471	\$ 75,753	\$ (1,282)
Pupil	186,943	199,273	(12,330)

##### *District-wide Deficit*

The School District has an unrestricted net position deficit for District-wide activities in the amount of \$(13,029,420) as of June 30, 2020.

## Centreville Public Schools

### Notes to the Financial Statements

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#### Note 3 - Cash and Investments

The School District maintains pooled and individual fund demand deposits, certificates of deposit, and short-term investment accounts. The School District reported \$80,018,438 of Cash and Cash Equivalents as of June 30, 2020, all of which was held in checking and savings accounts.

***Custodial Credit Risk - Deposits.*** Custodial credit risk is the risk that, in the event of a bank failure, the School District's deposits might not be returned. State law does not require and the School District does not have a policy for deposit custodial credit risk. As of year-end, \$7,824,370 of the School District's bank balance of \$8,074,370 was exposed to custodial credit risk because it was uninsured and uncollateralized. Due to the dollar amounts of cash deposits and the limits of FDIC insurance, the School District believes it is impractical to insure all bank deposits. As a result, the School District evaluates each financial institution with which it deposits School District funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

#### Note 4 - Interfund Receivables, Payables, and Transfers

Interfund balances at June 30, 2020 consisted of fund receivables and payables listed below:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Student activity fund	\$ 2,818
Debt service	General	1,923
Food service	General	240,217

Interfund balances resulted primarily from the time lag between the dates that: 1) interfund goods and services are provided or reimbursable expenditures occur, 2) transactions are recorded in the accounting system, and 3) payments between funds are made.

#### Note 5 - Unavailable/Unearned Revenue

Governmental funds report unavailable revenue in connection with receivables for revenue that is not considered to be available to liquidate liabilities of the current period. Governmental funds also report unearned revenue recognition in connection with resources that have been received but not yet earned. At the end of the current fiscal year, there was \$6,351 of revenues collected in advance of being earned.

# Centreville Public Schools

## Notes to the Financial Statements

### Note 6 - Capital Assets

Capital asset activity of the School District's governmental activities was as follows:

	<b>Beginning Balance</b>	<b>Additions</b>	<b>Reductions</b>	<b>Ending Balance</b>
Capital Assets not Being Depreciated:				
Construction in progress	\$ -	\$ 18,209	\$ -	\$ 18,209
Capital Assets Being Depreciated:				
Buildings and improvements	18,188,231	29,293	-	18,217,524
Buses and other vehicles	753,235	-	-	753,235
Furniture and equipment	3,126,822	51,430	-	3,178,252
Outside site improvements	903,699	-	-	903,699
<i>Subtotal</i>	<u>22,971,987</u>	<u>80,723</u>	<u>-</u>	<u>23,052,710</u>
Less Accumulated Depreciation:				
Buildings and improvements	6,514,490	364,064	-	6,878,554
Buses and other vehicles	394,076	54,578	-	448,654
Furniture and equipment	2,641,251	83,493	-	2,724,744
Outside site improvements	699,239	45,185	-	744,424
<i>Subtotal</i>	<u>10,249,056</u>	<u>547,320</u>	<u>-</u>	<u>10,796,376</u>
Capital Assets Being Depreciated, net	<u>12,722,931</u>	<u>(466,597)</u>	<u>-</u>	<u>12,256,334</u>
<b>Capital Assets, net</b>	<u>\$ 12,722,931</u>	<u>\$ (448,388)</u>	<u>\$ -</u>	<u>\$ 12,274,543</u>

Depreciation expense for the fiscal year amounted to \$547,320. The School District determined that this was impractical to allocate depreciation expense to the various government activities as the capital assets serve multiple functions.

### Note 7 - Long-term Debt

The school district issues bonds, notes, and other contractual commitments to provide for the acquisition and construction of major capital facilities and the acquisition of certain equipment. General obligation bonds are direct obligations and pledge the full faith and credit of the school district. Other long-term obligations include accumulated severance pay and accrued compensated absences.

# Centreville Public Schools

## Notes to the Financial Statements

General obligation bonds consist of:

2014 building and site bonds due in amounts ranging from \$100,000 through \$625,000 plus interest at 2.00% - 3.75% through 2026	\$ 2,515,000
2017 building and site bonds due in amounts ranging from \$100,000 through \$700,000 plus interest at 3.00% through 2033	3,020,000
2015 refunding bonds due in amounts ranging from \$375,000 through \$500,000 plus interest at 1.00% - 2.45% through 2026	2,355,000
2020 school building and site bonds due in amounts ranging from \$100,000 through \$1,135,000 plus interest at 2.00% - 4.00% through 2034	5,005,000
<b>Total general obligation bonded debt:</b>	<b>\$ 12,895,000</b>

Long-term obligation activity can be summarized as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>Bonds and Installment Loans Payable</b>					
2014 School Building and Site Bonds	\$ 2,615,000	\$ -	\$ (100,000)	\$ 2,515,000	\$ 100,000
2015 Refunding Bonds	2,835,000	-	(480,000)	2,355,000	490,000
2017 Building and Site Bonds	3,195,000	-	(175,000)	3,020,000	180,000
2020 School Building and Site Bonds, Series III	-	5,005,000	-	5,005,000	-
<b>Total Bond Principal</b>	<b>8,645,000</b>	<b>5,005,000</b>	<b>(755,000)</b>	<b>12,895,000</b>	<b>770,000</b>
Bond Premiums	172,737	366,586	(16,980)	522,343	16,980
Bond Discounts	(38,490)	-	3,069	(35,421)	(3,069)
<b>Total Bonds Payable</b>	<b>8,779,247</b>	<b>5,371,586</b>	<b>(768,911)</b>	<b>13,381,922</b>	<b>783,911</b>
<b>Compensated Absences</b>	<b>54,719</b>	<b>-</b>	<b>(1,041)</b>	<b>53,678</b>	<b>-</b>
<b>Total Long-term Liabilities</b>	<b>\$ 8,833,966</b>	<b>\$ 5,371,586</b>	<b>\$ (769,952)</b>	<b>\$ 13,435,600</b>	<b>\$ 783,911</b>

Annual debt service requirements, exclusive of compensated absences, bond premium, and bond discount, for long-term debt outstanding as of June 30, 2020 follows:

<b>Year Ending</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
<b>June 30,</b>			
2021	\$ 770,000	\$ 351,118	\$ 1,121,118
2022	810,000	345,901	1,155,901
2023	850,000	327,851	1,177,851
2024	895,000	304,861	1,199,861
2025	945,000	279,418	1,224,418
2026 - 2030	5,035,000	911,957	5,946,957
2031 - 2034	3,590,000	158,950	3,748,950
<b>Totals:</b>	<b>\$ 12,895,000</b>	<b>\$ 2,680,056</b>	<b>\$ 15,575,056</b>



## Centreville Public Schools

### Notes to the Financial Statements

Accumulated unpaid compensation for termination leave pay at June 30, 2020 has been computed and recorded in the financial statements as a long-term liability as the liability is expected to be liquidated from future financial resources. At present, eligible School District employees are entitled to a termination leave payment based on their unused absence days at current pay rate and eligible teachers and certain administrators are entitled to supplemental retirement stipends according to guidelines set forth by the School District. At June 30, 2020, the accumulated liability (expected to be financed by general fund resources) amounted to \$53,678.

#### **Note 8 - Short-term Note Payable**

During the year, the School District issued a State Aid Anticipation Note dated August 21, 2019 maturing August 21, 2020 in the amount of \$800,000 with an interest rate of 1.90%. Debt was issued to meet short-term cash flow needs. The related interest accrual is \$12,698 as of June 30, 2020.

Beginning Balance	Additions	Reductions	Ending Balance
<u>\$ 900,000</u>	<u>\$ 800,000</u>	<u>\$ (900,000)</u>	<u>\$ 800,000</u>

#### **Note 9 - Pension Plan**

##### ***Plan Description***

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

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

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

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

## Centreville Public Schools

### Notes to the Financial Statements

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#### ***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 percent to 1.50 percent. DB members are eligible to receive a monthly benefit when they meet certain age and service requirements. The System also provides disability and survivor benefits to DB plan members.

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

#### ***Contributions***

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

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

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

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

Required contributions to the pension plan from the School District were \$1,140,186 for the year ended September 30, 2019.

## Centreville Public Schools

### Notes to the Financial Statements

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

At June 30, 2020, the School District reported a liability of \$14,213,654 for its proportionate share of the MPSERS net pension liability. The net pension liability was measured as of September 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation rolled forward from September 2018. The School District's proportion of the net pension liability was determined by dividing each employer's statutorily required pension contributions to the system during the measurement period by the percent of pension contributions required from all applicable employers during the measurement period. At September 30, 2019, the School District's proportion was 0.04292 percent, which was an decrease of 0.00022 percent from its proportion measured as of September 30, 2018.

For the year ending June 30, 2020, the School District recognized pension expense of \$2,316,344. At June 30, 2020, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between actual and expected experience	\$ 63,710	\$ 59,270
Changes of assumptions	2,783,044	-
Net difference between projected and actual earnings on pension plan investments	-	455,523
Changes in proportion and differences between Employer contributions and proportionate share of contributions	295,349	71,654
Employer contributions subsequent to the measurement date	526,874	-
<b>Total</b>	<b>\$ 3,668,977</b>	<b>\$ 586,447</b>

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

<b>Plan Year Ended September 30</b>	<b>Amount:</b>
2020	\$ 1,108,145
2021	786,530
2022	475,921
2023	185,060

## Centreville Public Schools

### Notes to the Financial Statements

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#### ***Actuarial Assumptions***

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

Additional information as of the latest actuarial valuation follows:

#### **Summary of Actuarial Assumptions**

Valuation Date:	September 30, 2018
Actuarial Cost Method:	Entry Age, Normal
Wage Inflation Rate:	2.75%
Investment Rate of Return:	
- MIP and Basic Plans:	6.80%
- Pension Plus Plan:	6.80%
- Pension Plus 2 Plan:	6.00%
Projected Salary Increases:	2.75 - 11.55%, including wage inflation at 2.75%
Cost-of-Living Pension Adjustments:	3% Annual Non-Compounded for MIP Members
Mortality:	
Retirees:	RP-2014 Male and Female Healthy Annuitant Mortality Tables, scaled by 82% for males and 78% for females and adjusted for mortality improvements using projection scale MP-2017 from 2006.
Active Members:	RP-2014 Male and Female Employee Annuitant Mortality Tables, scaled 100% and adjusted for mortality improvements using projection scale MP-2017 from 2006.

#### ***Notes:***

- Assumption changes as a result of an experience study for the period 2012 through 2017 have been adopted by the System for use in the annual pension valuations beginning with the September 30, 2017 valuation. The total pension liability as of September 30, 2019, is based on the results of an actuarial valuation date of September 30, 2018, and rolled forward using generally accepted actuarial procedures, including the experience study.

## Centreville Public Schools

### Notes to the Financial Statements

- Recognition period for liabilities is the average of the expected remaining service lives of all employees in years: 4.4977
- Recognition period for assets in years: 5.0000
- Full actuarial assumptions are available in the 2019 MPSERS Comprehensive Annual Financial Report found on the ORS website at [www.michigan.gov/orsschools](http://www.michigan.gov/orsschools).

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

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of September 30, 2019, are summarized in the following table.

<b>Asset Class</b>	<b>Target Allocation</b>	<b>Long-term Expected Real Rate of Return*</b>
Domestic Equity Pools	28.0%	5.7%
Private Equity Pools	18.0	8.6
International Equity Pools	16.0	7.3
Fixed Income Pools	10.5	1.2
Real Estate and Infrastructure Pools	10.0	4.2
Absolute Return Pools	15.5	5.4
Short-term Investment Pools	2.0	0.8
<b>Total</b>	<b>100.0%</b>	

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

#### ***Rate of Return***

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

#### ***Discount Rate***

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

## Centreville Public Schools

### Notes to the Financial Statements

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

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

The following presents the School District's proportionate share of the net pension liability calculated using the discount rate of 6.80% (6.80% for the Pension Plus Plan, 6.0% for the Pension Plus 2 Plan), as well as what the School 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.

<b>Pension</b>		
<b>1% Decrease</b>	<b>Current Single Discount Rate Assumption</b>	<b>1% Increase</b>
<b>(Non-Hybrid/Hybrid)</b>	<b>(Non-Hybrid/Hybrid)</b>	<b>(Non-Hybrid/Hybrid)</b>
<b>5.80% / 5.80% / 5.00%</b>	<b>6.80% / 6.80% / 6.00%</b>	<b>7.80% / 7.80% / 7.00%</b>
\$18,478,660	\$14,213,654	\$10,677,818

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

#### ***Michigan Public School Employees' Retirement System (MPERS) Fiduciary Net Position***

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

#### **Note 10 - Postemployment Benefits Other Than Pensions (OPEB)**

##### ***Plan Description***

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

## Centreville Public Schools

### Notes to the Financial Statements

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

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

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

#### ***Benefits Provided***

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

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

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

## Centreville Public Schools

### Notes to the Financial Statements

employer match into a 401(k) account. Members who selected this option stop paying the 3% contribution to retiree healthcare as of the day before their transition date, and their prior contributions were deposited into their 401(k) account.

#### ***Contributions***

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

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

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

<b>Benefit Structure</b>	<b>Member</b>	<b>Non-Universities</b>
Premium Subsidy	3.00%	7.93%
Personal Healthcare Fund (PHF)	0.00%	7.57%

Required contributions to the OPEB plan from the School District were \$294,155 for the year ended September 30, 2019.

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

At June 30, 2020, the School District reported a liability of \$3,075,076 for its proportionate share of the MPSERS net OPEB liability. The net OPEB liability was measured as of September 30, 2019, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation rolled forward from September 2018. The School 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, 2019, the School District's proportion was 0.04284 percent, which was a decrease of 0.00102 percent from its proportion measured as of October 1, 2018.



## Centreville Public Schools

### Notes to the Financial Statements

For the year ending June 30, 2020, the School District recognized OPEB expense of \$76,260. At June 30, 2020, the School District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between actual and expected experience	\$ -	\$ 1,128,332
Changes of assumptions	666,307	-
Net difference between projected and actual earnings on pension plan investments	-	53,477
Changes in proportion and differences between Employer contributions and proportionate share of contributions	58,608	85,699
Employer contributions subsequent to the measurement date	223,215	-
<b>Total</b>	<b>\$ 948,130</b>	<b>\$ 1,267,508</b>

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

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

<b>Plan Year Ended September 30</b>	<b>Amount:</b>
2020	\$ (145,552)
2021	(145,552)
2022	(118,901)
2023	(83,091)
2024	(49,497)

#### ***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.

## Centreville Public Schools

### Notes to the Financial Statements

Additional information as of the latest actuarial valuation follows:

#### Summary of Actuarial Assumptions

Valuation Date:	September 30, 2018
Actuarial Cost Method:	Entry Age, Normal
Wage Inflation Rate:	2.75%
Investment Rate of Return:	6.95%
Projected Salary Increases:	2.75 - 11.55%, including wage inflation at 2.75%
Healthcare Cost Trend Rate:	7.5% Year 1 graded to 3.5% Year 12
Mortality:	
Retirees:	RP-2014 Male and Female Healthy Annuitant Mortality Tables, scaled by 82% for males and 78% for females and adjusted for mortality improvements using projection scale MP-2017 from 2006.
Active Members:	RP-2014 Male and Female Employee Annuitant Mortality Tables, scaled 100% and adjusted for mortality improvements using projection scale MP-2017 from 2006.
Other Assumptions:	
Opt-Out Assumption	21% of eligible participants hired before July 1, 2008 and 30% of those hired after June 30, 2008 are assumed to opt out of the retiree health plan.
Survivor Coverage	80% of male retirees and 67% of female retirees are assumed to have coverages continuing after the retiree's death
Coverage Election at Retirement	75% of male and 60% of female future retirees are assumed to elect coverage for 1 or more dependents.

#### Notes:

- Assumption changes as a result of an experience study for the period 2012 through 2017 have been adopted by the System for use in the annual OPEB valuations beginning with the September 30, 2017 valuation. The total OPEB liability as of September 30, 2019, is based on the results of an actuarial valuation date of September 30, 2018, and rolled forward using generally accepted actuarial procedures, including the experience study.
- Recognition period for liabilities is the average of the expected remaining service lives of all employees in years: 5.7101
- Recognition period for assets in years: 5.0000
- Full actuarial assumptions are available in the 2019 MPSERS Comprehensive Annual Financial Report found on the ORS website at [www.michigan.gov/orsschools](http://www.michigan.gov/orsschools).

## Centreville Public Schools

### Notes to the Financial Statements

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

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the OPEB plan's target asset allocation as of September 30, 2019, are summarized in the following table:

<b>Asset Class</b>	<b>Target Allocation</b>	<b>Long-term Expected Real Rate of Return*</b>
Domestic Equity Pools	28.0%	5.7%
Private Equity Pools	18.0	8.6
International Equity Pools	16.0	7.3
Fixed Income Pools	10.5	1.2
Real Estate and Infrastructure Pools	10.0	4.2
Absolute Return Pools	15.5	5.4
Short-term Investment Pools	2.0	0.8
<b><i>Total</i></b>	<b>100.0%</b>	

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

#### ***Rate of Return***

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

#### ***Discount Rate***

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

## Centreville Public Schools

### Notes to the Financial Statements

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

The following presents the School District's proportionate share of the net OPEB liability calculated using the discount rate of 6.95%, as well as what the School 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 point higher:

<b>Other Postemployment Benefits</b>		
<b>1% Decrease</b>	<b>Current Discount Rate</b>	<b>1% Increase</b>
<b>5.95%</b>	<b>6.95%</b>	<b>7.95%</b>
\$3,772,042	\$3,075,076	\$2,489,817

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

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

<b>Other Postemployment Benefits</b>		
<b>1% Decrease</b>	<b>Current Healthcare Cost Trend Rate</b>	<b>1% Increase</b>
\$2,465,005	\$3,075,076	\$3,771,960

#### ***OPEB Plan Fiduciary Net Position***

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

#### **Note 11 - Risk Management**

The School District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the School District carries commercial insurance. Liabilities are reported when it is probable that a loss has occurred and the amount of the loss in excess of insurance coverage can be reasonably estimated. There has been no loss in excess of insurance in the past three years

## Centreville Public Schools

### Notes to the Financial Statements

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#### Note 12 - Contingent Liabilities

Amounts received or receivable from grantor agencies are subjected to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of costs which may be disallowed by the grantor cannot be determined at this time although the School District expects such amounts, if any, to be immaterial.

#### Note 13 - Subsequent Events

Subsequent events were evaluated through October 26, 2020. The School District will be affected by the recent and ongoing outbreak of the Coronavirus (COVID-19) which was declared a pandemic by the World Health Organization in March 2020. COVID-19 has caused significant government and business disruptions through mandated and voluntary closings and stay at home orders. The Administration and Board of Education is in the process of determining the significance that the outbreak will have on the School District's upcoming budget.

#### Note 14 - Prior Period Restatement

The financial statements for the year ended June 30, 2020 have been restated because the School District implemented GASB Statement No. 84, *Fiduciary Activities*. This standard requires the student activity funds, because of the School District's administrative oversight, to be reported as a special revenue fund. In prior years the year-end balances of the student activity funds were reported as a fiduciary fund and, accordingly, were excluded from the governmental funds. The following schedule summarizes the impact on beginning balances of district-wide net position and governmental fund balance:

	<u>Net Position</u>	<u>Fund Balance</u>
Net Position / Fund Balance - June 30, 2019 (As previously reported)	\$ (6,279,217)	\$ 1,717,551
Adoption of GASB Statement 84:		
Student activity fund beginning fund balance	214,029	214,029
Net Position / Fund Balance - June 30, 2019 (As restated)	<u>\$ (6,065,188)</u>	<u>\$ 1,931,580</u>

## **REQUIRED SUPPLEMENTARY INFORMATION**

**Centreville Public Schools**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balance-Budget and Actual**  
**General Fund**  
**For the year Ended June 30, 2020**

	<b>Budgeted Amounts</b>			<b>Variance Positive (Negative) Final to Actual</b>
	<b>Original</b>	<b>Final</b>	<b>Actual</b>	
<b>Revenues</b>				
Local sources	\$ 816,792	\$ 875,443	\$ 901,751	\$ 26,308
State sources	7,182,947	7,051,928	6,926,943	(124,985)
Federal sources	161,372	166,168	151,404	(14,764)
Interdistrict sources	347,917	372,280	369,529	(2,751)
<b>Total Revenues</b>	<b>8,509,028</b>	<b>8,465,819</b>	<b>8,349,627</b>	<b>(116,192)</b>
<b>Expenditures</b>				
<b>Instructional</b>				
Basic programs	4,165,389	4,295,660	4,282,732	12,928
Added needs	1,053,872	1,052,570	987,755	64,815
Adult education	81,293	74,471	75,753	(1,282)
<b>Total Instruction</b>	<b>5,300,554</b>	<b>5,422,701</b>	<b>5,346,240</b>	<b>76,461</b>
<b>Supporting Services</b>				
Pupil	177,877	186,943	199,273	(12,330)
Instructional staff	187,480	191,448	189,492	1,956
General administration	379,603	376,240	370,508	5,732
School administration	529,994	542,431	539,068	3,363
Business services	156,275	156,640	151,436	5,204
Operations and maintenance	833,376	821,135	765,368	55,767
Transportation	311,882	288,742	255,948	32,794
Technology	160,321	141,104	139,365	1,739
<b>Total Supporting Services</b>	<b>2,736,808</b>	<b>2,704,683</b>	<b>2,610,458</b>	<b>94,225</b>
<b>Community Services</b>	<b>27,833</b>	<b>19,516</b>	<b>17,394</b>	<b>2,122</b>
<b>Athletics</b>	<b>308,042</b>	<b>318,919</b>	<b>303,175</b>	<b>15,744</b>
<b>Total Expenditures</b>	<b>8,373,237</b>	<b>8,465,819</b>	<b>8,277,267</b>	<b>188,552</b>
<b>Excess (Deficiency) of Revenues</b>				
<b>Over Expenditures</b>	<b>135,791</b>	<b>--</b>	<b>72,360</b>	<b>72,360</b>
<b>Net Change in Fund Balance</b>	<b>135,791</b>	<b>--</b>	<b>72,360</b>	<b>72,360</b>
<b>Fund Balance at Beginning of Period</b>	<b>1,310,480</b>	<b>1,310,480</b>	<b>1,310,480</b>	<b>--</b>
<b>Fund Balance at End of Period</b>	<b>\$ 1,446,271</b>	<b>\$ 1,310,480</b>	<b>\$ 1,382,840</b>	<b>\$ 72,360</b>

**Centreville Public Schools**  
**Schedule of School District's Proportionate Share of Net Pension Liability**  
**Michigan Public School Employee Retirement Plan**  
**Last Six Fiscal Years (Amounts were determined as of September 30 of each fiscal year)**

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
School District's Portion of Net Pension Liability (%)	0.04292%	0.04314%	0.04259%	0.04101%	0.03808%	0.04122%
School District's Proportionate Share of Net Pension Liability	\$ 14,213,654	\$ 12,967,295	\$ 11,036,146	\$ 10,230,908	\$ 9,301,534	\$ 9,079,578
School District's Covered Payroll	\$ 3,746,379	\$ 3,736,118	\$ 3,595,315	\$ 3,608,129	\$ 3,299,022	\$ 3,514,975
School District's Proportionate Share of Net Pension Liability as a Percentage of its Covered Payroll	379.40%	347.08%	306.96%	283.55%	281.95%	258.31%
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	60.31%	62.36%	64.21%	63.27%	63.17%	66.20%



**Centreville Public Schools**  
**Schedule of School District's Pension Contributions**  
**Michigan Public School Employee Retirement Plan**  
**Last Six School District Fiscal Years (Amounts determined as of June 30 of each year)**

	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>
Statutorily Required Contributions	\$ 1,140,186	\$ 1,174,587	\$ 673,300	\$ 665,350	\$ 650,080	\$ 640,189
Contributions in Relation to Statutorily Required Contributions	1,140,186	1,174,587	673,300	665,350	650,080	640,189
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
School District's Covered Payroll	\$ 3,765,392	\$ 3,726,405	\$ 3,734,031	\$ 3,564,821	\$ 3,426,888	\$ 3,322,285
Contributions as a Percentage of Covered Payroll	30.28%	31.52%	18.03%	18.66%	18.97%	19.27%

**Centreville Public Schools**  
**Schedule of School District's Proportionate Share of Net OPEB Liability**  
**Michigan Public School Employee Retirement Plan**  
**Last Three Fiscal Years (Amounts were determined as of September 30 of each fiscal year)**

	<u><b>2019</b></u>	<u><b>2018</b></u>	<u><b>2017</b></u>
School District's Portion of Net OPEB Liability (%)	0.04292%	0.04386%	0.04287%
School District's Proportionate Share of Net OPEB Liability	\$ 3,075,076	\$ 3,486,449	\$ 3,796,296
School District's Covered Payroll	\$ 3,746,379	\$ 3,736,118	\$ 3,395,315
School District's Proportionate Share of Net OPEB Liability as a Percentage of its Covered Payroll	82.08%	93.32%	111.81%
Plan Fiduciary Net Position as a Percentage of Total OPEB Liability	48.46%	42.95%	36.39%

**Centreville Public Schools**  
**Schedule of School District's OPEB Contributions**  
**Michigan Public School Employee Retirement Plan**  
**Last Three School District Fiscal Years (Amounts determined as of June 30 of each year)**

	<u><b>2020</b></u>	<u><b>2019</b></u>	<u><b>2018</b></u>
Statutorily Required Contributions	\$ 294,155	\$ 284,697	\$ 288,550
Contributions in Relation to Statutorily Required Contributions	<u>294,155</u>	<u>284,697</u>	<u>288,550</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
School District's Covered Payroll	\$ 3,765,392	\$ 3,726,405	\$ 3,734,031
Contributions as a Percentage of Covered Payroll	7.81%	7.64%	7.73%

## **Combining and Individual Fund Statements and Schedules**

**Centreville Public Schools  
Combining Balance Sheet  
Nonmajor Governmental Funds  
June 30, 2020**

	<u>Special Revenue</u>		<u>Debt Service</u>	<u>Capital Projects</u>	<u>Total Nonmajor Governmental Funds</u>
	<u>Food Service</u>	<u>Student Activity Fund</u>	<u>Debt Service Fund</u>	<u>2014 Capital Projects</u>	
<b>ASSETS</b>					
Cash and cash equivalents	\$ 112,253	\$ 232,151	\$ 356,241	\$ 23,601	\$ 724,246
Accounts receivable	2,486	--	--	--	2,486
Due from other governmental units	149,584	--	--	--	149,584
Inventory	12,147	--	--	--	12,147
Due from other funds	240,217	--	1,923	--	242,140
<b><i>Total Assets</i></b>	<b>\$ 516,687</b>	<b>\$ 232,151</b>	<b>\$ 358,164</b>	<b>\$ 23,601</b>	<b>\$ 1,130,603</b>
<b>LIABILITIES</b>					
Accounts payable	\$ 39,990	\$ 13,035	\$ --	\$ --	\$ 53,025
Accrued payroll and related liabilities	1,365	--	--	--	1,365
Unearned revenue	6,351	--	--	--	6,351
Due to other funds	--	2,818	--	--	2,818
<b><i>Total Liabilities</i></b>	<b>47,706</b>	<b>15,853</b>	<b>--</b>	<b>--</b>	<b>63,559</b>
<b>FUND BALANCE</b>					
Nonspendable	12,147	--	--	--	12,147
Restricted	456,834	--	358,164	23,601	838,599
Committed	--	216,298	--	--	216,298
Unassigned	--	--	--	--	--
<b><i>Total Fund Balance</i></b>	<b>468,981</b>	<b>216,298</b>	<b>358,164</b>	<b>23,601</b>	<b>1,067,044</b>
<b><i>Total Liabilities and Fund Balance</i></b>	<b>\$ 516,687</b>	<b>\$ 232,151</b>	<b>\$ 358,164</b>	<b>\$ 23,601</b>	<b>\$ 1,130,603</b>

**Centreville Public Schools**  
**Combining Statement of Revenues, Expenditures, and Changes in Fund Balance**  
**Nonmajor Governmental Funds**  
**For the year Ended June 30, 2020**

	<u>Special Revenue</u>		<u>Debt Service</u>	<u>Capital Projects</u>	<u>Total Nonmajor Governmental Funds</u>
	<u>Food Service</u>	<u>Student Activity Fund</u>	<u>Debt Service Fund</u>	<u>2014 Capital Projects</u>	
<b>Revenues</b>					
Local sources	\$ 126,906	\$ 484,553	\$ 1,065,885	\$ 200	\$ 1,677,544
State sources	15,313	--	3,974	--	19,287
Federal sources	808,796	--	--	--	808,796
Interdistrict sources	11,589	--	--	--	11,589
<b><i>Total Revenues</i></b>	<u>962,604</u>	<u>484,553</u>	<u>1,069,859</u>	<u>200</u>	<u>2,517,216</u>
<b>Expenditures</b>					
Instruction	--	482,284	--	--	482,284
Supporting services	--	--	--	30,823	30,823
Food service	558,995	--	--	--	558,995
Debt service - principal	--	--	755,000	--	755,000
Debt service - interest	--	--	244,170	--	244,170
<b><i>Total Expenditures</i></b>	<u>558,995</u>	<u>482,284</u>	<u>999,170</u>	<u>30,823</u>	<u>2,071,272</u>
<b><i>Excess of Revenues Over (Under) Expenditures</i></b>	<u>403,609</u>	<u>2,269</u>	<u>70,689</u>	<u>(30,623)</u>	<u>445,944</u>
<b><i>Net Change in Fund Balance</i></b>	<u><b>403,609</b></u>	<u><b>2,269</b></u>	<u><b>70,689</b></u>	<u><b>(30,623)</b></u>	<u><b>445,944</b></u>
<i>Fund Balance at Beginning of Period</i>	65,372	214,029	287,475	54,224	621,100
<b><i>Fund Balance at End of Period</i></b>	<u><b>\$ 468,981</b></u>	<u><b>\$ 216,298</b></u>	<u><b>\$ 358,164</b></u>	<u><b>\$ 23,601</b></u>	<u><b>\$ 1,067,044</b></u>

**CENTREVILLE PUBLIC SCHOOLS  
ST. JOSEPH COUNTY, MICHIGAN  
SINGLE AUDIT ACT COMPLIANCE  
YEAR ENDED JUNE 30, 2020**

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

To the Board of Education  
Centreville Public Schools  
Centreville, MI

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Centreville Public Schools, Michigan (the "School District") as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements. We issued our report thereon dated October 26, 2020, 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.



Gabridge & Company, PLC  
Sturgis, MI  
October 26, 2020

**Centreville Public Schools**  
**Schedule of Expenditures of Federal Awards**  
**June 30, 2020**

<i>Federal Grantor / Pass-through Grantor / Program / Project Number</i>	<i>Federal CFDA Number</i>	<i>Program or Award Amount</i>	<i>Prior Year Expenditures (Memorandum Only)</i>	<i>Accrued Revenue at July 1, 2019</i>	<i>Current Year Receipts</i>	<i>Current Year Expenditures</i>	<i>Accrued Revenue at June 30, 2020</i>
<b>U.S. Department of Agriculture:</b>							
<i>Passed Through Michigan Department of Education:</i>							
Child Nutrition Cluster:							
191970 School Breakfast Program	10.553	\$ 58,451	\$ 51,808	\$ 10,068	\$ 16,712	\$ 6,644	\$ -
201970 School Breakfast Program	10.553	29,678	-	-	29,678	29,678	-
191960 National School Lunch Program	10.555	186,833	163,278	28,388	51,943	23,555	-
201960 National School Lunch Program	10.555	97,837	-	-	97,837	97,837	-
191980 NSLP After school Snacks	10.555	325	186	22	161	139	-
201980 NSLP After school Snacks	10.555	697	-	-	697	697	-
Entitlement Commodities - 1920	10.555	30,261	-	-	30,261	30,261	-
200902 SFSP Covid 19	10.559	619,840	-	-	470,256	619,840	149,584
Total Child Nutrition Cluster		1,023,923	215,272	38,478	697,544	808,652	149,584
201920 Child and Adult Care Food Program	10.558	145	-	-	145	145	-
<b>Total U.S. Department of Agriculture</b>		1,024,068	215,272	38,478	697,689	808,796	149,584
<b>U.S. Department of Education:</b>							
Title I, Part A - Educationally Deprived							
191530 1819	84.010	114,947	105,152	52,116	52,116	-	-
201530 1920	84.010	112,143	-	-	67,606	98,135	30,529
Total Title I, Part A		227,090	105,152	52,116	119,722	98,135	30,529
Title II, Part A - Improving Teacher Quality State Grants							
190520 1819	84.367	33,510	20,482	18,551	18,551	-	-
200520 1920	84.367	34,719	-	-	30,547	34,719	4,172
Total Title II, Part A		68,229	20,482	18,551	49,098	34,719	4,172
Title IV, Part A - Student Support and Academic Enrichment							
190750 1819	84.424	11,915	7,600	7,600	7,600	-	-
200750 1920	84.424	14,315	-	-	8,272	14,315	6,043
Total Title IV, Part A		26,230	7,600	7,600	15,872	14,315	6,043
<b>Total Passed Through Michigan Department of Education</b>		321,549	133,234	78,268	184,692	147,169	40,745
<b>U.S. Department of Health and Human Services:</b>							
<i>Passed Through St Joseph County ISD:</i>							
18-19 Medicaid Outreach	93.778	1,304	-	-	1,304	1,304	-
19-20 Medicaid Outreach	93.778	2,931	-	-	1,311	2,931	1,620
<b>Total U.S. Department of Health and Human Services</b>		4,235	-	-	2,615	4,235	1,620
<b>Total Federal Financial Assistance</b>		\$ 1,349,853	\$ 348,506	\$ 116,746	\$ 884,997	\$ 960,200	\$ 191,949

See Notes to the Schedule of Expenditures of Federal Awards

## Centreville Public Schools

### Notes to the Schedule of Expenditures of Federal Awards

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#### **Note 1 - Basis of Presentation**

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of Centreville Public Schools (the "School District") under programs of the federal government for the year ended June 30, 2020. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. 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 School District.

#### **Note 2 - Summary of Significant Accounting Policies**

Expenditures reported on the Schedule are reported on the accrual basis of accounting, which is described in Note 1 to the School 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. Pass-through entity identifying numbers are presented where applicable and have been identified in the Schedule.

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 included and all grant requirements have been met.

The Schedule has been arranged to provide information on both the 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 the end of the fiscal year have been reported.

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

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

#### **Note 3 - Noncash Assistance**

The value of the noncash assistance received was determined in accordance with the provisions of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. The grantee received no noncash assistance during the year ended June 30, 2020 that is not included on the schedule of expenditures of federal awards.

## **Centreville Public Schools**

### **Notes to the Schedule of Expenditures of Federal Awards**

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#### **Note 4 - Reconciliation to the Schedule of Expenditures of Federal Awards**

The federal revenues reported in the fund financial statements of \$960,200 is equal to the federal expenditures reported in the schedule of expenditures of federal awards.

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

To the Board of Education  
Centreville Public Schools  
Centreville, 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 Centreville Public Schools (the "School District"), as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements, and have issued our report thereon dated October 26, 2020.

**Internal Control Over Financial Reporting**

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

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

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

## **Compliance and Other Matters**

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

## **Purpose of this Report**

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

A handwritten signature in dark ink that reads "Gabridge & Company". The script is cursive and fluid, with the ampersand being a simple loop.

Gabridge & Company, PLC  
Sturgis, MI  
October 26, 2020

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR  
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE  
UNIFORM GUIDANCE

To the Board of Education  
Centreville Public Schools  
Centreville, Michigan

**Report on Compliance for Each Major Federal Program**

We have audited Centreville Public School's (the "School District") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the School District's major federal programs for the year ended June 30, 2020. The School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

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

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of the School 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 School 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 each major federal program. However, our audit does not provide a legal determination of the School District's compliance.

### ***Opinion on Each Major Federal Program***

In our opinion, the School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2020.

### ***Report on Internal Control over Compliance***

Management of the School 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 School 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 School 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.

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.



Gabridge & Company, PLC  
Sturgis, MI  
October 26, 2020



**Centreville Public Schools**  
**Schedule of Findings and Questioned Costs**  
**For the Year Ended June 30, 2020**

<b>SECTION I - SUMMARY OF AUDITOR'S RESULTS</b>
---

Financial Statements

Type of auditor's report issued	Unmodified
Internal controls over financial reporting	
Material weaknesses identified?	No
Significant deficiencies identified not considered to be material weaknesses?	No (none reported)
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major programs	
Material weaknesses identified?	No
Significant deficiencies identified not considered to be material weaknesses?	No (none reported)
Type of auditor's report issued on compliance for major programs	Unmodified
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516?	No

Identification of Major Programs

Name of Federal Program or Cluster	CFDA Number
Child Nutrition Cluster	10.553, 10.555, and 10.559
Dollar threshold used to distinguish between Type A and B programs?	\$750,000
Auditee qualified as a low-risk auditee?	No

<b>SECTION II - FINANCIAL STATEMENT FINDINGS</b>
--

No matters were reported.

<b>SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS</b>
--

No findings or questioned costs.

<b>SECTION IV - SUMMARY OF PRIOR AUDIT FINDINGS</b>
---

No prior audit findings were reported.

October 26, 2020

To the Board of Education  
Centreville Public Schools  
Centreville, Michigan

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Centreville Public Schools (the "School District") for the year ended June 30, 2020. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated September 22, 2020. Professional standards also require that we communicate to you the following information related to our audit.

### **Significant Audit Findings**

#### ***Qualitative Aspects of Accounting Practices***

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the School District are described in Note 1 to the financial statements. The School District implemented GASB Statement No. 84 *Fiduciary Activities* during the year, which led to a restatement of fund balance and net position (Note 14) and the creation of a student activities special revenue fund (located in the nonmajor combining fund statements section of this report). Other than the implementation of GASB Statement No. 84, there were no new accounting policies adopted during the fiscal year ended June 30, 2020. We noted no transactions entered into by the School District during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

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

- Management's estimate of the useful lives of depreciable capital assets is based on the length of time it is believed that those assets will provide some economic benefit in the future.
- Management's estimate of the accrued compensated absences is based on current hourly rates and policies regarding payment of sick and vacation banks.

- The assumptions used in the actuarial valuations of the pension and other post-employment benefits are based on historical trends and industry standards.

The financial statement disclosures are neutral, consistent, and clear.

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

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

### ***Corrected and Uncorrected Misstatements***

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

### ***Disagreements with Management***

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

### ***Management Representations***

We have requested certain representations from management that are included in the management representation letter dated October 26, 2020.

### ***Management Consultations with Other Independent Accountants***

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

### ***Other Audit Findings or Issues***

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

As required by the OMB Uniform Guidance, we have also completed an audit of the federal programs administered by the School District. The results of that audit are provided to the Board of Education in our report on compliance with requirements applicable to each major program and on internal control over compliance in accordance with the OMB Uniform Guidance dated October 26, 2020

### **Other Matters**

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

We were engaged to report on the individual and combining fund statements, along with the schedule of expenditures of federal awards, which accompany the financial statements but are not RSI. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

### **Restriction on Use**

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

Very truly yours,

A handwritten signature in dark ink that reads "Gabridge & Company". The script is cursive and fluid, with the ampersand being particularly stylized.

Gabridge & Company, PLC  
Sturgis, MI