

PELLSTON PUBLIC SCHOOLS
REPORT ON FINANCIAL STATEMENTS
(with required supplementary and additional information)
JUNE 30, 2014



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PELLSTON PUBLIC SCHOOLS
PELLSTON, MICHIGAN

ANNUAL FINANCIAL REPORT
YEAR ENDED JUNE 30, 2014

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July 10, 2014

INDEPENDENT AUDITOR'S REPORT

To the Board of Education
Pellston Public Schools
Pellston, 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 Pellston Public Schools, Pellston, Michigan as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express 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 Pellston Public Schools, Pellston, Michigan as of June 30, 2014, 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 and budgetary comparison information on pages iv through xii and 32 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 Pellston Public Schools' basic financial statements. The combining and individual fund financial statements and other supplementary information 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.

The other supplementary information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated July 10, 2014, on our consideration of Pellston Public Schools' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Pellston Public Schools' internal control over financial reporting and compliance.

BAIRD, COTTER AND BISHOP, P.C.

Baird, Cotter & Bishop, P.C.

PELLSTON PUBLIC SCHOOLS
PELLSTON, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED JUNE 30, 2014

This section of Pellston Public Schools' (the "District") annual report presents our discussion and analysis of the District's financial performance during the year ended June 30, 2014. Please read it in conjunction with the District's financial statements, which immediately follows this section.

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The basic financial statements consist of the following three components: the government-wide financial statements, fund financial statements, and the notes to basic financial statements. This report also contains other supplementary information in addition to the basic financial statements.

Financial Highlights Section

Government-Wide

- The liabilities of the District exceeded its assets and deferred outflows of resources at the close of the most recent fiscal year by \$3,343,968 creating a deficit net position amount. Of this amount net capital assets net of related debt was a negative \$4,057,570.
- The government's total net deficit decreased by \$478,519.

Fund Level

- As of the close of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$858,121, a decrease of \$141,080 in comparison with the prior year.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$435,655.

Overview of the Financial Statements

Government-Wide Financial Statements

The government-wide statements provide short-term and long-term financial information about the District's overall financial status. These statements are required by generally accepted accounting principles (GAAP) as described in the Government Accounting Standards Board (GASB) Statement No. 34. The district-wide financial statements are compiled using full accrual basis of accounting and more closely represent financial statements presented by business and industry. The Statement of Net Position includes all of the District's assets and liabilities. All of the year's revenue 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 District's net position and how they have changed. Net position -the difference between the District's assets and liabilities – is one way to measure the District's financial health or position.

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

PELLSTON PUBLIC SCHOOLS
PELLSTON, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED JUNE 30, 2014

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

In the government-wide financial statements, the District's activities are all shown in one category titled "Governmental Activities". These activities, including regular and special education, transportation, administration, food services, athletic activities, and community services, are primarily financed with state and federal aids and property taxes.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds, rather than the District as a whole. Funds that do not meet the threshold to be classified as major funds are called "non-major" funds. Detailed financial information for non-major funds can be found in the combining and individual fund statements section.

Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

Some funds are required by state law and by bond covenants. The District may establish other funds to control and manage money for particular purposes.

The District maintains the following kinds of funds:

Governmental Funds – The District's basic services are included in governmental funds, which generally focus on 1) how cash and other financial assets that can be 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 to determine whether there are more or less financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information (reconciliation schedules) immediately following the governmental funds statements that explain the relationship (or differences) between these two types of financial statement presentations.

Fiduciary Funds – The District is a trustee, or fiduciary, for assets that belong to other organizations. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. The District's fiduciary activities are reported in a separate Statement of Fiduciary Net Position and a Statement of Changes in Fiduciary Net Position. We exclude these activities from the government-wide financial statements because the District cannot use these assets to finance its operations.

PELLSTON PUBLIC SCHOOLS
PELLSTON, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED JUNE 30, 2014

Notes to Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the Government-wide and fund financial statements. The notes to the financial statements can be found on pages 8-31 of this report.

Other Information

In addition to the basic financial statements, this report further presents Required Supplementary Information (RSI) that explains and supports the information presented in the financial statements.

Summary of Net Position

The following schedule summarizes the net position at fiscal year ended June 30:

	<u>2014</u>	<u>2013</u>
Assets		
Current Assets	\$ 1,383,439	\$ 1,509,671
Capital Assets, Net of Accumulated Depreciation	3,684,312	3,967,980
Total Assets	<u>5,067,751</u>	<u>5,477,651</u>
Deferred Outflows of Resources		
Deferred Charge on refunding	<u>107,726</u>	<u>121,192</u>
Liabilities		
Current Liabilities	1,523,921	1,464,897
Long-Term Liabilities	<u>6,995,524</u>	<u>7,956,433</u>
Total Liabilities	<u>8,519,445</u>	<u>9,421,330</u>
Net Position		
Net Investment in Capital Assets (Deficit)	(4,057,570)	(4,561,837)
Restricted for Specific Purposes	147,745	141,400
Unrestricted	<u>565,857</u>	<u>597,950</u>
Total Net Position (Deficit)	<u>\$ (3,343,968)</u>	<u>\$ (3,822,487)</u>

PELLSTON PUBLIC SCHOOLS
PELLSTON, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED JUNE 30, 2014

Analysis of Financial Position

During the fiscal year ended June 30, 2014, the District's net position increased by \$478,519. A few of the more significant factors affecting net position during the year are discussed below:

1. Depreciation Expense

GASB 34 requires school districts to maintain a record of annual depreciation expense and the accumulation of depreciation expense over time. The net increase in accumulated depreciation expense is a reduction in net position.

Depreciation expense is recorded on a straight-line basis over the estimated useful lives of the assets. In accordance with GAAP, depreciation expense is calculated based on the original cost of the asset less an estimated salvage value, where applicable. For the fiscal year ended June 30, 2014, \$410,555 was recorded for depreciation expense.

2. Capital Outlay Acquisitions

For the fiscal year ended June 30, 2014, \$126,887 of expenditures for equipment and building improvements were capitalized and recorded as assets of the District. These additions to the District's capital assets will be depreciated over time as explained above.

The net effect of the new capital assets and the current year's depreciation is a decrease to capital assets in the amount of \$283,668 for the fiscal year ended June 30, 2014.

Change in Net Position

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

	<u>2014</u>	<u>2013</u>
Revenues		
Program Revenues		
Charges for Services	\$ 127,871	\$ 95,212
Operating Grants and Contributions	1,803,540	1,721,061
Capital Grants and Contributions	0	0
General Revenues		
Property Taxes	3,935,807	3,897,627
Investment Earnings	961	3,196
State Sources	1,493,538	1,645,517
Other	61,300	165,373
Total Revenues	<u>7,423,017</u>	<u>7,527,986</u>

PELLSTON PUBLIC SCHOOLS
PELLSTON, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED JUNE 30, 2014

	2014	2013
Expenses		
Instruction	3,916,121	4,052,894
Supporting Services	1,815,320	1,889,635
Athletic Activities	137,573	155,123
Food Service Activities	308,862	360,620
Community Services	837	1,947
Interest on Long-Term Debt	355,230	409,780
Unallocated Depreciation	410,555	723,830
	6,944,498	7,593,829
Change in Net Position	478,519	(65,843)
<u>Net Position (Deficit) - Beginning of Year</u>	<u>(3,822,487)</u>	<u>(3,756,644)</u>
<u>Net Position (Deficit) - End of Year</u>	<u>\$ (3,343,968)</u>	<u>\$ (3,822,487)</u>

Financial Analysis of the District's Funds

The financial performance of the District as a whole is also reflected in its governmental funds. The following table shows the change in total fund balances of each of the District's governmental funds:

	2014	2013	Increase (Decrease)
Major Funds			
General Fund	\$ 456,803	\$ 487,303	\$ (30,500)
Capital Projects Fund	197,606	312,071	(114,465)
2008 Refunding Debt	147,456	158,678	(11,222)
Nonmajor Funds			
Food Service	11,447	3,297	8,150
2002 Debt Retirement	34,456	37,852	(3,396)
Energy Bonds	0	0	0
2012 School Technology and Equipment Fund	10,353	0	10,353
Durant	0	0	0
2010 QZAB Bonds	0	0	0
2011 QZAB Bonds	0	0	0
	\$ 858,121	\$ 999,201	\$ (141,080)
Total Governmental Funds	<u>\$ 858,121</u>	<u>\$ 999,201</u>	<u>\$ (141,080)</u>

PELLSTON PUBLIC SCHOOLS
PELLSTON, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED JUNE 30, 2014

In 2014, the General Fund balance decreased primarily due to the reduction in funding from the federal sources. The District also paid out an Early Retirement Incentive (ERI) to qualifying staff during the 2013-2014 year which has reduced the overall professional staff compensation and benefit expenses to the District going forward.

The Capital Project Fund decreased its fund balance due to purchase of capital outlay.

The 2008 Refunding Fund decreased its fund balance due to the debt service payments being in excess of the millage levied.

The Food Service Fund increased its fund balance due to decreased costs of staff, benefits and food purchases.

The 2002 Debt Retirement Fund decreased its fund balance due to the debt service payments being in excess of the millage levied.

The 2012 School Technology and Equipment increased its fund balance due to tax millage levied being in excess of the debt service payments.

General Fund Budgetary Highlights

The Uniform Budget Act of the State of Michigan requires that the local Board of Education approve the original budget for the upcoming fiscal year prior to its starting on July 1. Any amendments made to the operating budget must be approved by the Board prior to the close of the fiscal year on June 30.

For the 2013-2014 fiscal year, the District amended the general fund budget throughout the fiscal year. The following schedule shows a comparison of the original general fund budget, the final amended general fund budget and actual totals from operations:

	<u>ORIGINAL</u> <u>BUDGET</u>	<u>FINAL</u> <u>BUDGET</u>	<u>ACTUAL</u>
<u>REVENUES AND OTHER SOURCES</u>	\$ 5,839,832	\$ 5,983,016	\$ 6,011,277
<u>EXPENDITURES AND OTHER USES</u>			
Instruction	\$ 3,782,417	\$ 3,962,032	\$ 3,935,666
Supporting Services	1,899,474	1,959,048	1,954,279
Community Services	3,520	838	837
Transfers and Other Transactions	163,000	150,994	150,995
Total Expenditures and Other Uses	\$ 5,848,411	\$ 6,072,912	\$ 6,041,777

The differences between the original budgeted amounts, final budgeted amounts and the actual amounts is minimal.

PELLSTON PUBLIC SCHOOLS
PELLSTON, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED JUNE 30, 2014

Capital Asset and Debt Administration

Capital Assets. The District's investment in capital assets for its governmental activities as of June 30, 2014, amounted to \$3,684,312 (net of accumulated depreciation). This investment in capital assets includes land and improvements, buildings and improvements, vehicles and equipment.

Pellston Public Schools
Capital Assets (Net of Depreciation, When Applicable)

	<u>2014</u>	<u>2013</u>
Land and Improvements	\$ 445,500	\$ 447,250
Buildings and Improvements	2,555,904	2,817,462
Vehicles	380,097	357,532
Equipment	302,811	345,736
	<hr/>	<hr/>
Total Capital Assets	\$ 3,684,312	\$ 3,967,980
	<hr/>	<hr/>

Additions to capital assets included:

- Bus purchased in the amount of \$76,151.
- Carpeting purchased in the amount of \$13,621.
- Desks and Furniture purchased in the amount of \$24,858.
- Lab stools and Tables purchased in the amount of \$12,257.

Additional information on the District's capital assets can be found in the notes to this report.

Long-Term Debt. At year-end, the District had total bonded debt, installment contracts, and accrued compensation outstanding of \$7,941,524, net of bond discounts and premiums.

Additional information on the District's long-term debt can be found in the notes to this report.

Factors Bearing on the District's Future

We considered many factors when setting the District's 2014-2015 fiscal year budget.

- In June 2014, 47 students graduated from Pellston High School, either in a traditional curricula track or in an alternative education curricula track. Our best estimate will be that we will enroll approximately 33 students in Kindergarten in the fall of 2014. The District is anticipating an enrollment State Aid Membership of 570 students this fall, a decrease of thirty-nine students from the 2013-2014 membership. Overall enrollment numbers for the District continue to steadily decline, thus impacting the overall district budget. Despite declining enrollment the District will continue to focus on providing high quality educational programs and opportunities for its

PELLSTON PUBLIC SCHOOLS
PELLSTON, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED JUNE 30, 2014

students. We will continue to make the assumption that our school will continue to qualify for Isolated District funding and declining enrollment funds as a results of enrollment declines over the last several years.

- The general fund budget for 2014-2015 was developed using the following assumptions: Taxable values will decrease about 0.018 percent. The State foundation grant will increase by \$50 per pupil plus a per pupil equity payment of \$100. In addition, the District will again attempt to qualify for the Best Practice Incentive by qualifying for 7 of the 9 revised qualifiers for the incentive which will pay \$50 per pupil. The District has also qualified for Performance Based funding and anticipates \$30 per pupil for meeting identified performance standards. The Board of Education was pleased to see an effort being made by the State to equalize funding for high vs. low funded districts.
- The District will continue to host two pre-school programs in 2014-2015 utilizing Great Start Readiness Funds (GSRP) and Title I funds. The District will also utilize year two of a grant from the Michigan Department of Education for Early Learning Enhancement Grant with a value in year two of \$143,520. The grant will continue to allow the District to provide year-round child care and learning programs for young children in the District. By doing this, the administration believes that students will continue to attend our school as a school of choice. Further, students who attend this program will be better prepared for rigor in the classroom when they enter kindergarten.
- On the expenditure side, the District will not receive funding from federal sources for the Elementary School 21st Century Learning Center for 2014-2015. This reduces the budget by \$109,400.
- In the area of employee health insurance, the Board approved the hard cap established for school districts as \$5,858 for a single subscriber, \$12,250 for a two person, and \$15,975 for full family. The balance of the premium and any incurred HSA costs is being paid through employee payroll deduction.
- In as much as we have projected revenues to be just above 6 million dollars, an Early Retirement Incentive (ERI) offered to qualifying staff during the 2013-2014 year has reduced the overall professional staff compensation and benefit expenses to the District. Additionally, while six staff retired as qualifiers for the ERI, we anticipate only four of the staff will be replaced by the District, again due to declining enrollment.
- Effective for the 2014-2015 fiscal year, the Board has authorized an administrative team to include Superintendent, Mrs. Monique Dean, Mr. Enos Bacon III continuing his third year and second year Elementary Principal, Mrs. Tamara Pichla. The Board is pleased with the renewal of these contracts and the administrative consistency they provide to the District as we move forward.

PELLSTON PUBLIC SCHOOLS
PELLSTON, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED JUNE 30, 2014

- Both the Elementary and Middle/High School made adequate yearly progress in 2013-2014. The District continues to focus on mathematics as a critical area for the District. The District will move into year two of mathematics intervention at the middle level and add the ninth grade level during 2014-2015, identifying and providing students additional support in mathematics. The District has also employed for the fall of 2014-2015 highly qualified secondary staff for openings at the middle level in the area of mathematics, we believe that qualified staff with these endorsements will support the expected rigor of middle level mathematics. The administrative team has also recommended that grade five move back to the elementary school, while the District saw many benefits to the educational concepts of TEAM 5/6 we believe that the students benefit from both a “homeroom” environment and quality curriculum when assigned to an elementary classroom setting.
- The District will implement a new welding program at the High School level for the fall of 2014. During the first year of this program, welding will be offered one period per day. During the 2014-2015 year the District, in cooperation with CharEm ISD, will work towards having the program become certified through the State of Michigan as a Vocational Education program. Facility space for the program will be done through modifications to a space that is attached to another Vocational Education program offered by the District.
- The District will also be modifying the entrance to the current pre-schools program space. With approval from GSRP the entrance will be modified to reflect a more open concept, thus allowing parents to drop off and pick up students in an area allowing them to gather and feel welcome as part of the school community.

Request for Information

The financial report is designed to a general overview of the District's finances for all those with an interest in the District's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Pellston Public Schools, Superintendent of Schools, 172 N. Park Street, Pellston, Michigan 49769-0016.

PELLSTON PUBLIC SCHOOLS
PELLSTON, MICHIGAN
STATEMENT OF NET POSITION

JUNE 30, 2014

ASSETS

CURRENT ASSETS

Cash and Cash Equivalents	\$	656,268
Restricted Assets -Cash		197,606
Investments		16,277
Accounts Receivable		17,860
Due from Other Governments		470,916
Inventories		24,512
		1,383,439
Total Current Assets		1,383,439

NON CURRENT ASSETS

Capital Assets		15,309,109
Less Accumulated Depreciation		(11,624,797)
		3,684,312
Total Non Current Assets		3,684,312

TOTAL ASSETS

5,067,751

DEFERRED OUTFLOWS OF RESOURCES

Deferred Charge on Refunding		107,726
		107,726

LIABILITIES

CURRENT LIABILITIES

Accounts Payable		38,393
Accrued Expenses		137,311
Accrued Interest		52,603
Salaries Payable		317,655
Unearned Revenue		31,959
Current Portion of Non Current Liabilities		946,000
		946,000
Total Current Liabilities		1,523,921

NON CURRENT LIABILITIES

Bonds Payable - Net		7,939,488
Compensated Absences		2,036
Less Current Portion of Non Current Liabilities		(946,000)
		(946,000)
Total Non Current Liabilities		6,995,524

TOTAL LIABILITIES

8,519,445

NET POSITION

Net Investment in Capital Assets (Deficit)		(4,057,570)
Restricted for Debt Service		139,662
Restricted for Food Service		8,083
Unrestricted		565,857
		565,857
TOTAL NET POSITION - (DEFICIT)		\$ (3,343,968)

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

PELLSTON PUBLIC SCHOOLS
PELLSTON, MICHIGAN
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2014

FUNCTIONS/PROGRAMS	EXPENDITURES	<u>PROGRAM REVENUES</u>			<u>GOVERNMENTAL</u> <u>ACTIVITIES</u>
		CHARGES FOR SERVICES	OPERATING GRANTS	CAPITAL GRANTS	<u>NET (EXPENSE)</u> <u>REVENUE AND</u> <u>CHANGES IN</u> <u>NET POSITION</u>
<u>GOVERNMENTAL ACTIVITIES</u>					
Instruction	\$ 3,916,121	\$ 0	\$ 1,280,886	\$ 0	\$ (2,635,235)
Supporting Services	1,815,320	23,820	222,617	0	(1,568,883)
Athletic Activities	137,573	34,905	2,324	0	(100,344)
Food Service Activities	308,862	68,444	256,195	0	15,777
Community Services	837	702	0	0	(135)
Interest on Long-Term Debt	355,230	0	41,518	0	(313,712)
Unallocated Depreciation	410,555	0	0	0	(410,555)
Total Governmental Activities	<u>\$ 6,944,498</u>	<u>\$ 127,871</u>	<u>\$ 1,803,540</u>	<u>\$ 0</u>	<u>(5,013,087)</u>
<u>GENERAL REVENUES</u>					
Property Taxes - Levied for General Purposes					2,882,940
Property Taxes - Levied for Debt Service					1,052,867
Investment Earnings					961
State Sources					1,493,538
Other					61,300
Total General Revenues					<u>5,491,606</u>
Change in Net Position					478,519
<u>NET POSITION</u> - Beginning of Year - (Deficit-as restated)					<u>(3,822,487)</u>
<u>NET POSITION</u> - End of Year - (Deficit)					<u>\$ (3,343,968)</u>

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

PELLSTON PUBLIC SCHOOLS
PELLSTON, MICHIGAN

BALANCE SHEET
GOVERNMENTAL FUNDS

JUNE 30, 2014

	GENERAL FUND	CAPITAL PROJECTS FUND	2008 REFUNDING DEBT RETIREMENT FUND	OTHER NONMAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
<u>ASSETS</u>					
Cash and Cash Equivalents	\$461,993	\$ 0	\$ 147,456	\$ 46,819	\$ 656,268
Restricted Assets - Cash	0	197,606	0	0	197,606
Investments	16,277	0	0	0	16,277
Accounts Receivable	17,261	0	0	599	17,860
Due from Other Funds	4,766	0	0	0	4,766
Due from Other Governments	457,715	0	0	13,201	470,916
Inventory	21,148	0	0	3,364	24,512
TOTAL ASSETS	\$979,160	\$ 197,606	\$ 147,456	\$ 63,983	\$ 1,388,205
<u>LIABILITIES AND FUND BALANCES</u>					
<u>LIABILITIES</u>					
Accounts Payable	\$ 36,126	\$ 0	\$ 0	\$ 2,267	\$ 38,393
Due to Other Funds	0	0	0	4,766	4,766
Accrued Expenditures	137,311	0	0	0	137,311
Salaries Payable	316,961	0	0	694	317,655
Unearned Revenue	31,959	0	0	0	31,959
Total Liabilities	522,357	0	0	7,727	530,084
<u>FUND BALANCE</u>					
Nonspendable:					
Inventory	21,148	0	0	3,364	24,512
Restricted:					
Capital Projects	0	197,606	0	0	197,606
Debt Service	0	0	147,456	44,809	192,265
Food Service	0	0	0	8,083	8,083
Unassigned	435,655	0	0	0	435,655
Total Fund Balances	456,803	197,606	147,456	56,256	858,121
TOTAL LIABILITIES AND FUND BALANCES	\$979,160	\$ 197,606	\$ 147,456	\$ 63,983	\$ 1,388,205

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

PELLSTON PUBLIC SCHOOLS
PELLSTON, MICHIGAN

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

JUNE 30, 2014

Total Governmental Fund Balances	\$ 858,121
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not financial resources and are not reported in the funds.	
The cost of the capital assets is	\$ 15,309,109
Accumulated depreciation is	<u>(11,624,797)</u> 3,684,312
Bond discounts and issuance costs for bonds issued are expenditures at the modified accrual fund level, but are capitalized and written off over the life of bonds payable at the district-wide full accrual level.	
Deferred (Gain) Loss on Refunding	107,726
Bond Discount (Premium)	(48,488)
Long-term liabilities are not due and payable in the current period and are not reported in the funds.	
Bonds Payable	(7,891,000)
Compensated Absences	(2,036)
Accrued interest is not included as a liability in governmental funds, it is recorded when paid.	<u>(52,603)</u>
NET POSITION OF GOVERNMENTAL ACTIVITIES	<u><u>\$ (3,343,968)</u></u>

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

PELLSTON PUBLIC SCHOOLS
PELLSTON, MICHIGAN

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS

YEAR ENDED JUNE 30, 2014

	GENERAL FUND	CAPITAL PROJECTS FUND	2008 REFUNDING DEBT RETIREMENT FUND	OTHER NONMAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
<u>REVENUES</u>					
Local Sources	\$3,000,253	\$ 0	\$ 728,553	\$ 394,477	\$ 4,123,283
State Sources	2,211,779	0	0	18,117	2,229,896
Federal Sources	443,120	0	0	279,596	722,716
Other Transactions	347,122	0	0	0	347,122
 Total Revenues	 6,002,274	 0	 728,553	 692,190	 7,423,017
<u>EXPENDITURES</u>					
Instruction	3,935,666	0	0	0	3,935,666
Supporting Services	1,816,706	0	0	0	1,816,706
Athletic Activities	137,573	0	0	0	137,573
Food Service Activities	0	0	0	308,862	308,862
Community Services	837	0	0	0	837
Capital Outlay	0	114,465	0	0	114,465
Debt Service					
Principal	0	0	490,000	406,000	896,000
Interest and Fees	0	0	249,775	104,213	353,988
 Total Expenditures	 5,890,782	 114,465	 739,775	 819,075	 7,564,097
 Excess (Deficiency) of Revenues Over (Under) Expenditures	 111,492	 (114,465)	 (11,222)	 (126,885)	 (141,080)
<u>OTHER FINANCING SOURCES (USES)</u>					
Transfers In	9,003	0	0	150,995	159,998
Transfers Out	(150,995)	0	0	(9,003)	(159,998)
 Total Other Financing Sources (Uses)	 (141,992)	 0	 0	 141,992	 0
 Net Change in Fund Balance	 (30,500)	 (114,465)	 (11,222)	 15,107	 (141,080)
<u>FUND BALANCE</u> - Beginning of Year	487,303	312,071	158,678	41,149	999,201
<u>FUND BALANCE</u> - End of Year	\$ 456,803	\$ 197,606	\$ 147,456	\$ 56,256	\$ 858,121

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

PELLSTON PUBLIC SCHOOLS
PELLSTON, MICHIGAN

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2014

Net Change in Fund Balances Total Governmental Funds \$ (141,080)

Amounts reported for governmental activities are different because:

Governmental funds report capital outlays as expenditures. In the Statement of Activities these costs are allocated over their estimated useful lives as depreciation. Additionally, the gain or loss on sale or disposal of capital assets is recorded in the Statement of Activities:

Depreciation Expense	(410,555)
Capital Outlay	126,887

Accrued and accreted interest on bonds is recorded in the Statement of Activities when incurred; it is not recorded in governmental funds until it is paid:

Accrued Interest Payable - Beginning of Year	58,427
Accrued Interest Payable - End of Year	(52,603)

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Also, governmental funds report the effect of issuance costs, premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities:

Repayment of Bond Principal	896,000
Amortization of Deferred Charges	(7,066)

Employees Early Retirement and Accumulated Sick Pay are reported on the accrual method in the Statement of Activities, and recorded as an expenditure when financial resources are used in the governmental funds:

Accumulated Sick Pay - Beginning of Year	10,545
Accumulated Sick Pay - End of Year	<u>(2,036)</u>

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES \$ 478,519

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

PELLSTON PUBLIC SCHOOLS
PELLSTON, MICHIGAN

STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS

JUNE 30, 2014

	<u>AGENCY FUNDS</u>
<u>ASSETS</u>	
Cash and Cash Equivalents	\$ 37,850
Investments	<u>59,109</u>
 TOTAL ASSETS	 96,959
 <u>LIABILITIES</u>	
Due to Groups and Organizations	<u>96,959</u>
 <u>NET POSITION</u>	 <u><u>\$ 0</u></u>

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

PELLSTON PUBLIC SCHOOLS
PELLSTON, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the Pellston Public Schools have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the District's accounting policies are described below.

A. Reporting Entity

The School District (the "District") is located in Emmet and Cheboygan Counties with its administrative offices located in Pellston, Michigan. The District operates under an elected 7-member board of education which has responsibility and control over all activities related to public school education within the District. The District receives funding from local, state, and federal government sources and must comply with all of the requirements of these funding source entities. However, the District is not included in any other governmental reporting entity as defined by generally accepted accounting principles. Board members are elected by the public and have decision-making authority, the power to designate management, the ability to significantly influence operations, and the primary accountability for fiscal matters.

B. Description of Government-Wide Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report the information on all of the nonfiduciary activities of the primary government and its component units. All fiduciary activities are reported only in the fund financial statements. *Governmental activities*, which normally are supported by taxes, intergovernmental revenues, and other nonexchange transactions, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges to external customers for support. Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable. The School District does not have any business-type activities or component units.

C. Basis of Presentation – Government-Wide Financial Statements

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from the governmental funds. Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements.

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

PELLSTON PUBLIC SCHOOLS
PELLSTON, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

D. Basis of Presentation – Fund Financial Statements

The fund financial statements provide information about the government's funds, including its fiduciary funds. Separate statements for each fund category – governmental and fiduciary – are presented. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

The District reports the following major governmental funds:

The *General Fund* is the District's primary operating fund. It accounts for all financial resources of the District, except those required to be accounted for in another fund.

The *Capital Projects Fund* accounts for the acquisition of capital assets or construction of major capital projects.

The *2008 Refunding Debt Retirement Fund* accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt of government funds.

Other Non-Major Funds:

The *Special Revenue (School Service) Fund* accounts for revenue sources that are legally restricted to expenditures for specific purposes. The District accounts for its food service activities in a special revenue fund.

The *Debt Retirement Fund* accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt of government funds.

Additionally, the District reports the following fund type:

Fiduciary funds are accounted for using the accrual method of accounting. Fiduciary funds account for assets held by the District in a trustee capacity or as an agent on behalf of others. This fund is custodial in nature and does not involve measurement of results of operations. Accordingly, it presents only a statement of fiduciary net position and does not present a statement of changes in fiduciary net position. Trust funds account for assets held by the District under the terms of a formal trust agreement. Fiduciary funds are not included in the government-wide statements.

The District reports the following fiduciary fund:

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

PELLSTON PUBLIC SCHOOLS
PELLSTON, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

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

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

E. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as *current financial resources* or *economic resources*. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment.

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

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

PELLSTON PUBLIC SCHOOLS
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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

The net costs (by function) are normally covered by general revenue (property taxes, state sources, intermediate district sources, interest income and other revenues).

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

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

Property taxes, state and federal aid and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Entitlements are recorded as revenues when all eligibility requirements are met, including any time requirements, and the amount is received during the period or within the availability period for this revenue resource (within 60 days of year end). Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year end). All other revenue items are considered to be measurable and available only when cash is received by the government.

The agency fund has no measurement focus but utilizes the *accrual basis of accounting* for reporting its assets and liabilities.

F. Budgetary Information

1. Budgetary Basis of Accounting

Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. Annual appropriated budgets are adopted for the general and special revenue funds.

Appropriations in all budgeted funds lapse at the end of the fiscal year even if they have related encumbrances. Encumbrances represent commitments related to unperformed contracts for goods or services. Encumbrance accounting - under which purchase orders, contracts and other commitments for the expenditure of resources are recorded to reserve that portion of the applicable appropriation - is utilized in the governmental funds. While all appropriations and encumbrances lapse at year end, valid outstanding encumbrances (those for which performance under the executory

PELLSTON PUBLIC SCHOOLS
PELLSTON, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

contract is expected in the next year) are re-appropriated and become part of the subsequent year's budget pursuant to state regulations.

The District follows these procedures in establishing the budgetary data reflected in the financial statements:

- a) In June, the superintendent submits to the school board a proposed operating budget for the fiscal year commencing on July 1.
- b) A public hearing is conducted during June to obtain taxpayer comments.
- c) Prior to June 30, the budget is legally adopted by the School Board resolution pursuant to the Uniform Budgeting and Accounting Act. The Act requires that the budget be amended prior to the end of the fiscal year, when necessary, to adjust appropriations if it appears that revenues and other financial sources will be less than anticipated, or so that expenditures will not be in excess of original estimates. Expenditures shall not be made or incurred, unless authorized in the budget, in excess of the amount appropriated.
- d) The superintendent is charged with general supervision of the budgets and shall hold the department heads responsible for performance of their responsibilities.
- e) For purposes of meeting emergency needs of the school district, transfer of appropriations may be made by the authorization of the superintendent. Such transfers of appropriations must be approved by the Board of Education at its next regularly scheduled meeting.
- f) During the year the budgets are monitored and amendments to the budget resolution are made when it is deemed necessary.
- g) Budgeted amounts are as originally adopted on June 24, 2013, or as amended by the School Board of Education throughout the year.

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

1. Cash and Investments

Cash includes amounts in demand deposits.

Investments are carried at market value.

The District complies with State statutes regarding investment of funds.

PELLSTON PUBLIC SCHOOLS
PELLSTON, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

The Board policy on investment of funds authorizes the School District to invest as follows:

- (a) Bonds, bills, or notes of the United States, or obligations, the principal and interest of which are fully guaranteed by the United States.
- (b) Certificates of deposit issued by any state or national bank organized and authorized to operate in this state.
- (c) Commercial paper rated prime at the time of purchase and maturing not more than 270 days after the date of purchase.
- (d) Securities issued or guaranteed by agencies or instrumentalities of the United States.

The School's deposits and investments are held separately by several of the School District's funds.

2. *Inventory and Prepaid Items*

Inventories are valued at cost. Inventory in the General Fund consists of land being held for future use by the Building Trades Program. Inventories in the special revenue funds consisting of expendable supplies held for consumption, are recorded as expenditures when consumed rather than when purchased. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid expenditures.

3. *Capital Assets*

Capital assets, which include property and equipment, are reported in the governmental activities column in the District-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation.

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

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

<u>Assets</u>	<u>Years</u>
Building and Improvements	20-50
Land Improvements	20
Equipment	5-20
Vehicles	7-10

PELLSTON PUBLIC SCHOOLS
PELLSTON, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

4. *Compensated Absences*

District policy permits certain employees to accumulate earned but unused sick pay benefits which are paid when the employee separates from service with the District. A liability is recorded in the statement of net position for such amounts. No liability is recorded for accumulated vacation since hours earned do not vest.

5. *Long-Term Obligations*

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight line method which approximates the effective interest method over the term of the related debt.

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

6. *Deferred Outflows/Inflows of Resources*

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District only has one item that qualifies for reporting in this category. It is the deferred charge on refunding reported in the government-wide statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or funding debt.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. The separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District does not have any items that qualify for reporting in this category.

7. *Net Position Flow Assumption*

Sometimes the 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 financial statements, a flow assumption must be made about the order in which the resources are considered to be applied.

PELLSTON PUBLIC SCHOOLS
PELLSTON, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

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

8. *Fund Balance Flow Assumption*

Sometimes the 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 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.

9. *Fund Balance Policies*

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The 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 District's highest level of decision-making authority. The governing board is the highest level of decision-making authority for the government that can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation.

Amounts in the assigned fund balance classification are intended to be used by the District for specific purposes but do not meet the criteria to be classified as committed. The board may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally 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.

10. *Use of Estimates*

The process of preparing basic financial statements in conformity with accounting principles generally accepted in the United States of America requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenditures. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

PELLSTON PUBLIC SCHOOLS
PELLSTON, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

11. Restricted Assets

Certain cash resources are classified as restricted assets on the balance sheet because their use is limited by applicable debt covenants and they are maintained in separate bank accounts.

H. Revenues and Expenditures/Expenses

1. State Revenue

The State of Michigan utilizes a foundation grant approach which provides for a specific annual amount of revenue per pupil based on a statewide formula. The Foundation is funded from state and local sources. Revenues from state sources are primarily governed by the School Aid Act and the School Code of Michigan. The Michigan Department of Education administers the allocation of state funds to school districts based on information supplied by the districts. For the year ended June 30, 2014 the foundation allowance was based on pupil membership counts taken in October 2013 and February 2014. For fiscal year ended June 30, 2014, the per pupil foundation allowance was \$7,026 for Pellston Public Schools.

The state portion of the foundation is provided primarily by a state education property tax millage of 6 mills and an allocated portion of state sales and other taxes. The local portion of the foundation is funded primarily by non-homestead property taxes, which may be levied at a rate of up to 18 mills. The State revenue is recognized during the foundation period and is funded through payments from October 2013 to August 2014. Thus, the unpaid portion at June 30th is reported as due from other governmental units.

The District also receives revenue from the state to administer certain categorical education programs. State rules require that revenue earmarked for these programs be used for its specific purpose. Certain governmental funds require an accounting to the state of the expenditures incurred. For categorical funds meeting this requirement, funds received, which are not expended by the close of the fiscal year are recorded as unearned revenue. Other categorical funding is recognized when the appropriation is received.

2. Program Revenues

Amounts reported as program revenue 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. All taxes, including those dedicated for specific purposes, state foundation aid, certain revenue from the intermediate school district and other unrestricted items are not included as program revenue but instead as *general revenues*.

PELLSTON PUBLIC SCHOOLS
PELLSTON, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

3. Property Taxes

Property taxes levied by the District are collected by various municipalities and periodically remitted to the District. Property taxes are assessed as of January 1, and due July 1. The levy becomes delinquent as of February 14 for all taxpayers. After these dates, unpaid taxes are subject to penalties and interest.

For the year ended June 30, 2014, the District levied the following amounts per \$1,000 of taxable valuation:

<u>Fund</u>	<u>Mills</u>
General Fund - Non-Homestead	18.0000
General Fund - Non-Homestead Commercial PPT	6.0000
Debt Service Fund - Homestead and Non-Homestead	3.5400

NOTE 2 – DETAILED NOTES ON ALL ACTIVITIES AND FUNDS

A. Deposits and Investments

Custodial Credit Risk – Deposits. In the case of deposits, this is the risk that in the event of a bank failure, the government’s deposits may not be returned to it. As of June 30, 2014, the District’s bank balance was \$963,206 and \$320,252 of that amount was exposed to custodial credit risk because it was uninsured and uncollateralized. Of the \$320,252 of uninsured funds, \$279,037 was in the governmental funds and \$41,215 was in the fiduciary funds. Although the District’s investment policy does not directly address custodial credit risk, it typically limits its exposure by purchasing insured or registered investments or by controlling who holds the deposits.

Foreign Currency Risk. The District is not authorized to invest in investments which have this type of risk; therefore, it is not addressed in the investment policy.

Custodial Credit Risk –Investments. For an investment, this is the risk that, in the event of the failure of the counterparty, the government will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The District’s investments are categorized to give an indication of the level of risk assumed by the District at year end. Category 1 includes investments that are insured or registered, or securities held by the District or the District’s agent in the District’s name. Although the District’s investment policy does not directly address custodial credit risk, it typically limits its exposure by purchasing insured or registered investments or by controlling who holds the investments.

Category 2 includes investments that are uninsured and unregistered with securities held by the counterparty’s trust department or its agent in the District’s name. Category 3 includes investments that are uninsured and unregistered, with the securities held by the counterparty, or by its trust department

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JUNE 30, 2014

or its agent but not in the District's name. At year end all of the District's investments were uncategorized as to risk.

The District invests certain excess funds in the Michigan Investment Liquid Asset Fund (MILAF). MILAF is an external pooled investment fund of "qualified" investments for Michigan school districts. MILAF is not regulated nor is it registered with the SEC. MILAF reports that as of June 30, 2014, the fair value of the District's investments is the same as the value of the pool shares.

Balance sheet classifications:

	Petty Cash	Deposits	Investments	Fiduciary Assets	Total
Cash	\$ 800	\$ 655,468	\$ 0	\$ 37,850	\$ 694,118
Cash - Restricted	0	197,606	0	0	197,606
Investments	0	0	16,277	59,091	75,368
	<u>\$ 800</u>	<u>\$ 853,074</u>	<u>\$ 16,277</u>	<u>\$ 96,941</u>	<u>\$ 967,092</u>

B. Receivables

Receivables as of year end for the government's individual major funds and nonmajor are as follows:

	General	Nonmajor and Other Funds	Total
Receivables			
Accounts	\$ 17,261	\$ 599	\$ 17,860
Due from Other Governments	457,715	13,201	470,916
Total Receivables	<u>\$ 474,976</u>	<u>\$ 13,800</u>	<u>\$ 488,776</u>

Amounts due from other governments include amounts due from federal, state, and local sources for various projects and programs.

Because of the District's favorable collection experience, no allowance for doubtful accounts has been recorded.

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C. Capital Assets

Capital assets activity for the year ended June 30, 2014, was as follows:

	Balance July 1, 2013	Additions	Deletions	Balance June 30, 2014
Capital Assets not Being Depreciated:				
Land	\$ 435,000	\$ 0	\$ 0	\$ 435,000
Capital Assets Being Depreciated				
Land Improvements	75,000	0	0	75,000
Buildings and Improvements	12,581,288	13,621	0	12,594,909
Vehicles	627,184	76,151	0	703,335
Equipment	1,463,750	37,115	0	1,500,865
Subtotal	14,747,222	126,887	0	14,874,109
Less Accumulated Depreciation For:				
Land Improvements	(62,750)	(1,750)	0	(64,500)
Buildings and Improvements	(9,763,826)	(275,179)	0	(10,039,005)
Vehicles	(269,652)	(53,586)	0	(323,238)
Equipment	(1,118,014)	(80,040)	0	(1,198,054)
Total Accumulated Depreciation	(11,214,242)	(410,555)	0	(11,624,797)
Total Capital Assets Being Depreciated, Net	3,532,980	(283,668)	0	3,249,312
Capital Assets, Net	\$ 3,967,980	\$ (283,668)	\$ 0	\$ 3,684,312

Depreciation expense was charged to functions/programs of the District as follows:

Governmental Activities	
Unallocated	\$ 410,555
Total Depreciation Expense - Governmental Activities	\$ 410,555

D. Defined Benefit Plan and Post Retirement Benefits

Plan Description - The District participates in the statewide Michigan Public School Employees' Retirement System (System) which 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 1363 of 1945, recodified and currently operating under the provisions of Public Act 300 of

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1980, as amended. Section 25 of this act establishes the board's authority to promulgate or amend the provisions of the System. 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, dental and vision coverage under the Michigan School Employees' Retirement Act.

The System's financial statements are included as a pension and other employee benefit trust fund in the State of Michigan Comprehensive Annual Financial Report. The MPSERS issues a publicly available financial report that includes financial statements and required supplementary information for MPSERS. That report may be obtained by writing to Michigan Public School Employees Retirement System, P.O. Box 30171, Lansing, Michigan 48909-7671 or by calling (800)381-5111. It is also available at <http://www.michigan.gov/orsschools>.

The System is administered by the Office of Retirement Services within the Michigan Department of Technology, Management & Budget. The Department Director appoints the Office Director who serves as Executive Secretary to the System's Board, with whom the general oversight of the System resides. The State Treasurer serves as the investment officer and custodian for the System.

Benefit Provisions – Pension

Introduction

Benefit provisions of the defined benefit pension plan are established by State statute, which may be amended. Public Act 300 of 1980, as amended, established eligibility and benefit provisions for the defined benefit (DB) pension plan. Retirement benefits for DB plan members are determined by final average compensation and years of service. DB members are eligible to receive a monthly benefit when they meet certain age and service requirements. The System also provides disability and survivor benefits to DB plan members. A DB member or Pension Plus hybrid plan member who leaves Michigan public school employment may request a refund of his or her member contributions to the retirement system account. 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 services through repayment of the refund upon satisfaction of certain requirements.

Pension Reform 2010

On May 19, 2010, the Governor signed Public Act 75 of 2010 into law. As a result, any member of the Michigan Public School Employees' Retirement System (MPSERS) who became a member of MPSERS after June 30, 2010 is a Pension Plus member. Pension Plus is a hybrid plan that contains a pension component with an employee contribution (graded, up to 6.4% of salary) and a flexible and transferable defined contribution (DC) tax-deferred investment account that earns an employer match of 50% (up to 1% of salary) on employee contributions. Retirement benefits for Pension Plus members are determined by final average compensation and years of service. Disability and survivor benefits are available to Pension Plus members.

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Pension Reform 2012

On September 4, 2012, the Governor signed Public Act 300 of 2012 into law. The legislation grants all active members who first became a member before July 1, 2010 and who earned service credit in the 12 months ending September 3, 2012, or were on an approved professional services or military leave of absence of September 3, 2012, a voluntary election regarding their pension. Any changes to a member's pension 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 December 1, 2012, subsequently amended to February 1, 2013. Under the reform, members voluntarily chose to increase, maintain, or stop their contributions to the pension fund.

Option 1 – members voluntarily elected to increase their contributions to the pension fund as noted below, and retain the 1.5% pension factor in their pension formula. The increased contribution would begin as of their transition date and continue until they terminate public school employment.

- Basic Plan members: 4% contribution
- MIP-Fixed, MIP-Graded, and MIP-Plus members: a flat 7% contribution

Option 2 – members voluntarily elected to increase their contribution to the pension fund as stated in Option 1 and retain the 1.5% pension factor in their pension formula. The increased contribution would begin as of their transition date and continue until they reach 30 years of service. If and when they reach 30 years of service, their contribution rates will return to the previous level in place as of the day before their transition date (0% for Basic Plan members, 3.9% for MIP-Fixed, up to 4.3% for MIP-Graded, or up to 6.4% for MIP-Plus). The pension formula for any service thereafter would include a 1.25% pension factor.

Option 3 – members voluntarily elected not to increase their contribution to the pension fund and maintain their current level of contribution to pension fund. The pension formula for their years of service as of the day before their transition date will include a 1.5% pension factor. The pension formula for any service thereafter will include a 1.25% pension factor.

Option 4 – members voluntarily elected to no longer contribute to the pension fund and therefore are switched to the Defined Contribution plan for future services as of their transition date. As a DC participant they receive a 4% employer contribution to a tax-deferred 401(k) account and can choose to contribute up to the maximum amounts permitted by the IRS to a 457 account. They vest in employer contributions and related earnings in their 401(k) account based on the following schedule: 50% at 2 years, 75% at 3 years, and 100% at 4 years of service. They are 100% vested in any personal contributions and related earnings in their 457 account. Upon retirement, if they meet age and service requirements (including their *total* years of service), they would also receive a pension (calculated based on years of service and Final Average Compensation as of the day before their transition date and a 1.5% pension factor).

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Members who did not make an election before the deadline defaulted to Option 3 as described above. Deferred or nonvested public school employees on September 3, 2012, who return to public school employment on or after September 4, 2012, will be considered as if they had elected Option 3 above. Returning members who made the retirement plan election will retain whichever option they chose.

Employees who first work on or after September 4, 2012, choose between two retirement plans: the Pension Plus hybrid plan described above and a Defined Contribution (DC) plan that provides 50% employer match (up to 3% of salary) on employee contributions. New employees are automatically enrolled as members in the Pension Plus plan as of their date of hire. They have 75 days from the last day of their first pay period to elect to opt out of the Pension Plus hybrid plan and become a qualified participant in the DC plan; if no election is made they will remain in the Pension Plus hybrid plan. If they elect to opt out of the Pension Plus hybrid plan, their participation in the DC plan will be retroactive to their date of hire.

Funding Policy

Member Contributions

Mandatory member contributions were phased out between 1974 and 1977, with the plan remaining noncontributory until January 1, 1987, when the Member Investment Plan (MIP) was enacted. MIP members enrolled prior to January 1, 1990, contribute at a permanently fixed rate of 3.9% of gross wages. The MIP contribution rate was 4.0% from January 1, 1987, effective date of the MIP, until January 1, 1990, when it was reduced to 3.9%. Members first hired between January 1, 1990 and June 30, 2008, and returning members who did not work between January 1, 1987 through December 31, 1989, contribute at the following graduated permanently fixed contribution rates: 3% of the first \$5,000; 3.6% of \$5,001 through \$15,000; 4.3% of all wages over \$15,000. Members first hired July 1, 2008, or later, including Pension Plus plan members, contribute at the following graduated permanently fixed contribution rates: 3% of the first \$5,000; 3.6% of \$5,001 through \$15,000; 6.4% of all wages over \$15,000.

Basic plan members make no contributions. For a limited period ending December 31, 1992, an active Basic Plan member could enroll in the MIP by paying the contributions that would have been made had enrollment occurred initially on January 1, 1987, or on the date of hire, plus interest. MIP contributions at the rate of 3.9% of gross wages begin at enrollment. Actuarial rate of interest is posted to member accounts on July 1st on all MIP monies on deposit for 12 months. If a member leaves public school service and no pension is payable, the member's accumulated contributions plus interest, if any, are refundable.

Under Public Act 300 of 2012, eligible members voluntarily chose between increasing, maintaining, or stopping their contributions to the pension fund as of the transition date. Members who elected to increase their level of contribution contribute 4% (Basic Plan) or 7% (MIP); by doing so they maintain a 1.5% pension factor in their pension formula. Members who elected to maintain their level of contribution will receive a 1.25% pension factor in their pension formula for their years of service as of

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their transition date. Their contribution rates are described above. Members who elected to stop their contributions become participants in the Defined Contribution plan as of their transition date.

Employer Contributions

Each school district or reporting entity is required to contribute the full actuarial funding contribution amount to fund pension benefits, plus an additional amount to fund retiree health care benefit amounts on a cash disbursement basis. For the period October 1 through September 30, the School District pays an amount equal to a percentage of its employees' wages to the Michigan Public School Employees' Retirement System ("MPERS"), which is administered by the State of Michigan. These contributions are required by law and are calculated by using the contribution rates and periods provided in the table below of the employees' wages. In addition, the District is required to match 50% up to 1% of the employees' contribution in the Pension Plus plan. The contribution requirements of plan members and the District are established and may be amended by the MPERS Board of Trustees. The District contributions to MPERS were equal to the required contribution for those years.

The School District's contributions to MPERS are as follows:

<u>Fiscal Year Ending</u> <u>June 30,</u>	<u>Contributions</u> <u>to MPERS</u>
2014	\$ 897,608
2013	758,400
2012	714,000

Included in the amounts paid above, the District received \$155,190 of section 147(c) State Aid for the sole purpose of making supplemental payments to MPERS. The District has recorded this amount as state revenue and additional pension expenditures/expenses for the year ended June 30, 2014.

PA 464 Retirees Returning to Work, effective December 27, 2012 also requires applicable employer contributions to the defined benefit and defined contribution plans. These amounts, if any, are included in the amounts paid above.

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		Fiscal Year 2014						
		Effective February 1, 2013 - September 30, 2013						
Public School Employee Pension Rates (FYE Sept. 30th)		Basic MIP	Pension Plus	Pension Plus	Pension Plus to	Basic MIP DB	Basic MP DB to DC with PHF	Basic MIP with PHF
				PHF - First worked after 9/3/2012	DC with PHF First worked after 9/3/12	to DC with DB Health		
		DB Contributions						
Pension Normal Cost	2.43%	2.24%	2.24%	0.00%	0.00%	0.00%	2.43%	
Pension UAL	11.42%	11.42%	11.42%	11.42%	11.42%	11.42%	11.42%	
Pension Early Retirement Incentive	1.36%	1.36%	1.36%	1.36%	1.36%	1.36%	1.36%	
Pension Contributions - Total Rate	15.21%	15.02%	15.02%	12.78%	12.78%	12.78%	15.21%	
Health Normal Cost	0.93%	0.93%	0.00%	0.00%	0.93%	0.00%	0.00%	
Health UAL	8.18%	8.18%	8.18%	8.18%	8.18%	8.18%	8.18%	
Health Contributions - Total Rate	9.11%	9.11%	8.18%	8.18%	9.11%	8.18%	8.18%	
Total	24.32%	24.13%	23.20%	20.96%	21.89%	20.96%	23.39%	
		DC Contributions						
DC Employer Contributions	0.00%	1.00%	1.00%	3.00%	4.00%	4.00%	0.00%	
Personal Healthcare Fund	0.00%	0.00%	2.00%	2.00%	0.00%	2.00%	2.00%	
Total	0.00%	1.00%	3.00%	5.00%	4.00%	6.00%	2.00%	

		Fiscal Year 2014						
		Effective October 1, 2013						
Public School Employee Pension Rates (FYE Sept. 30th)		Basic MIP	Pension Plus	Pension Plus	Pension Plus to	Basic MIP DB	Basic MP DB to DC with PHF	Basic MIP with PHF
				PHF - First worked after 9/3/2012	DC with PHF First worked after 9/3/12	to DC with DB Health		
		DB Contributions						
Pension Normal Cost	2.90%	2.67%	2.67%	0.00%	0.00%	0.00%	2.90%	
Pension UAL	14.08%	14.08%	14.08%	14.08%	14.08%	14.08%	14.08%	
Pension Early Retirement Incentive	1.36%	1.36%	1.36%	1.36%	1.36%	1.36%	1.36%	
Pension Contributions - Total Rate	18.34%	18.11%	18.11%	15.44%	15.44%	15.44%	18.34%	
Health Normal Cost	0.93%	0.93%	0.00%	0.00%	0.93%	0.00%	0.00%	
Health UAL	5.52%	5.52%	5.52%	5.52%	5.52%	5.52%	5.52%	
Health Contributions - Total Rate	6.45%	6.45%	5.52%	5.52%	6.45%	5.52%	5.52%	
Total	24.79%	24.56%	23.63%	20.96%	21.89%	20.96%	23.86%	
		DC Contributions						
DC Employer Contributions	0.00%	1.00%	1.00%	3.00%	4.00%	4.00%	0.00%	
Personal Healthcare Fund	0.00%	0.00%	2.00%	2.00%	0.00%	2.00%	2.00%	
Total	0.00%	1.00%	3.00%	5.00%	4.00%	6.00%	2.00%	

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Benefit Provisions – Other Postemployment

Introduction

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, is currently funded on a cash disbursement basis. Beginning fiscal year 2013, it will be funded on a prefunded basis. The System has contracted to provide the comprehensive group medical, hearing, 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 health care 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.

Public Act 75 of 2010 requires each actively employed member of MPSERS after June 30, 2010 to annually contribute 3% of their compensation to offset employer contributions for health care benefits of current retirees. Dependents are eligible for health care coverage if they meet the dependency requirements set forth in Public Act 300 of 1980, as amended.

Retiree Healthcare Reform of 2012

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 December 1, 2012.

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

Members who did not make an election before the deadline retain the subsidy benefit and continue making the 3% contribution toward retiree healthcare. Deferred or nonvested members on September

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3, 2012 who are rehired on September 4, 2012, will contribute 3% contribution to retiree healthcare and will retain the subsidy benefit. Returning members who made the retirement healthcare election will retain whichever option they choose.

Those who elected to retain the premium subsidy continue to annually contribute 3% of compensation into the healthcare funding account. A member or former member age 60 or older, who made the 3% healthcare contributions but who does not meet eligibility requirements may request a refund of their contributions. Similarly, if a retiree dies before the total value of the insurance subsidy paid equals the total value of the contributions the member made, and there are no eligible dependents, the beneficiary may request a refund of unused funds. Refunds of member contributions to the healthcare funding account are issued as a supplemental benefit paid out over a 60 month period.

1. Retirees with at least 21 years of service, who terminate employment after October 31, 1980, with vested deferred benefits, are eligible for subsidized employer paid health benefit coverage.
2. A delayed subsidy applies to retirees who became a member of the retirement system before July 1, 2008 and who purchased service credit on or after July 1, 2008. Such individuals are eligible for premium subsidy benefits at age 60 or when they would have been eligible to retire without having made a service purchase, whichever comes first. They may enroll in the insurances earlier, but are responsible for the full premium until the premium subsidy begins.

Under Public Act 300 of 2012, the state no longer offers an insurance premium subsidy in retirement for public school employees who first work on or after September 4, 2012. Instead, all new employees will be placed into the Personal Healthcare Fund where they will have support saving for retirement healthcare costs in the following ways:

- They will be automatically enrolled in a 2% employee contribution into a 457 account as of their date of hire, earning them a 2% employer match into a 401(k) account.
- They will receive a credit into a Health Reimbursement Account (HRA) at termination if they have at least 10 years of service at termination. The credit will be \$2,000 for participants who are at least 60 years of age at termination or \$1,000 for participants who are less than 60 years of age at termination.

Participants in the Personal Healthcare Fund, who become disabled for any reason, are not eligible for any employer funded health insurance premium subsidy. If a PHF participant suffers a non-duty related death, his or her health benefit dependents are not eligible to participate in any employer funded health insurance premium subsidy. If a PHF participant suffers a duty death, the state will pay the maximum health premium allowed by statute for the surviving spouse and health benefit dependents. The spouses' insurance subsidy may continue until his or her death, the dependents' subsidy may continue until their eligibility ends (through marriage, age, or other event). Upon eligibility for a duty death benefit, the 2% employer matching contributions and related earnings in the PHF 401(k) are forfeited and the state will pay for the subsidy payments. The beneficiaries receive the member's personal contributions and related earnings in the PHF 457 account.

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Other Information

On June 28, 2010, the Michigan Court of Claims issued an injunction in response to a challenge to the authority of the State to require employees who began working before July 1, 2010, to contribute 3% of reportable wages to the retiree healthcare trust as MPERS. As a result, the State has adjusted the contribution rate due on employees' wages paid between November 1, 2010 and September 30, 2011 to 20.66% for members who first worked prior to July 1, 2010 and 19.16% for Pension Plus member. In March 2011, the Court of Claims granted the plaintiffs' motions for summary disposition finding that the mandatory 3% contribution violated both the U.S. and Michigan constitutions. The State appealed the ruling to the Michigan Court of Appeals. The Court of Appeals accepted the appeal and ordered an expedited review. The Court of Appeals also granted the State's motion for a stay of proceedings and ordered that the 3% deduction continue to be collected and placed into an escrow account until further order of the Court.

On August 16, 2012 the State of Michigan Court of Appeals affirmed the trial court's orders granting summary dispositions in favor of the plaintiffs in each of the cases before it, terminating the stay ordered by this Court on March 18, 2011. The State of Michigan has appealed the decision to the Michigan Supreme Court. The Office of Retirement Services is instructing Michigan public school employers to continue withholding the 3% contribution. Should the plaintiffs prevail, the escrowed funds will be returned to the employees.

E. Risk Management

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

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

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F. Long-Term Liabilities

A summary of long-term debt and transactions related thereto is as follows for the year ended June 30, 2014:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>(Reductions)</u>	<u>Ending Balance</u>	<u>Amount Due Within One Year</u>
2002 School Building and Site Construction Bonds, due through May 2016 in semi-annual installments of interest and annual principal payments of \$240,000 bearing interest rates ranging from 4.25% to 4.375%.	\$ 720,000	\$ 0	\$ 240,000	\$ 480,000	\$ 240,000
2010 Energy Conservation Improvement QZAB Bond due through May 2020 in semi-annual installments of interest and annual principal payments of \$71,000 and interest rate of 6.0%.	497,000	0	71,000	426,000	71,000
2011 School Improvement QZAB bond due through November 2024 in annual installments of \$60,000 - \$65,000 beginning in 2020 and interest paid annually with rates ranging from 5.8% to 6.375%.	315,000	0	0	315,000	0

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	<u>Beginning Balance</u>	<u>Additions</u>	<u>(Reductions)</u>	<u>Ending Balance</u>	<u>Amount Due Within</u>
2004 Energy Conservation Improvement Bonds due through May 2015 in semi-annual installments of interest and principal payments of \$70,000 with an interest rate of 4.21%.	135,000	0	65,000	70,000	70,000
2008 Refunding Bonds, due through May 2022 in semi-annual installments of interest and annual principal payments varying from \$525,000 to \$850,000 with interest rates ranging from 3.85% to 4.2%.	6,350,000	0	490,000	5,860,000	525,000
2012 School Technology and Equipment Bonds, due through May 2020 in semi-annual installments of interest and annual principal payments varying from \$40,000 - \$180,000 bearing interest rates ranging from 2.00% to 2.25%.	770,000	0	30,000	740,000	40,000
Compensated absences.	10,545	2,036	10,545	2,036	unknown
Total long-term debt	<u>\$ 8,797,545</u>	<u>\$ 2,036</u>	<u>\$ 906,545</u>	<u>\$ 7,893,036</u>	<u>\$ 946,000</u>

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Annual debt service requirements to maturity for the above obligations except for the compensated absences.

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Amounts Payable</u>
2015	\$ 946,000	\$ 315,617	\$ 1,261,617
2016	921,000	277,197	1,198,197
2017	951,000	239,876	1,190,876
2018	991,000	204,327	1,195,327
2019	1,026,000	167,606	1,193,606
2020-2024	2,991,000	283,047	3,274,047
2025	65,000	2,072	67,072
	<u>\$ 7,891,000</u>	<u>\$ 1,489,742</u>	<u>\$ 9,380,742</u>

Compensated absences and early retirement benefits will be paid by the fund in which the employee worked, including the general fund and other governmental funds.

G. Interfund Receivables and Payables

	<u>INTERFUND RECEIVABLES</u>	<u>INTERFUND PAYABLES</u>
General Fund	\$ 4,766	\$ 0
School Service Fund - Food Service	0	4,766
	<u>\$ 4,766</u>	<u>\$ 4,766</u>

The outstanding balances between funds result mainly 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. All interfund balances outstanding at June 30, 2014 are expected to be repaid within one year.

H. Interfund Transfers

	<u>TRANSFERS IN</u>	<u>TRANSFERS OUT</u>
General Fund	\$ 9,003	\$ 150,995
Food Service Fund	0	9,003
Debt Retirement Fund - Energy Bonds	70,909	0
Debt Retirement Fund - 2010 QZAB Bonds	76,118	0
Debt Retirement Fund - 2011 QZAB Bonds	3,968	0
	<u>\$ 159,998</u>	<u>\$ 159,998</u>

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

I. Related Party Transactions

The District paid for repair and maintenance services to a business owned by the superintendent's relative totaling \$22,300.47 for the year. In the opinion of management, such transactions were on substantially the same terms as those prevailing at the time of comparable transactions with other persons and did not present any other unfavorable features to the District.

J. Other Information

1. Commitments and Contingencies

Under the terms of various federal and state grants and regulatory requirements, periodic audits are required and certain cost may be questioned as not being appropriate expenditures under the terms of the grants and requirements. Such audits could lead to reimbursement of the grantor or regulatory agencies. However, management does not believe such disallowances, if any, would be material to the financial position of the District.

2. Capital Projects Fund

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 §1351a of the Revised School Code.

NOTE 4 – UPCOMING ACCOUNTING PRONOUCEMENTS

GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, was issued by the GASB in June 2012 and will be effective for the District's 2015 fiscal year. The Statement requires governments that participate in defined benefit pension plans to report in their statement of net position a net pension liability. The net pension liability is the difference between the total pension liability (the present value of projected benefit payments to employees based on their past service) and the assets (mostly investments reported at fair value) set aside in a trust and restricted to paying benefits to current employees, retirees, and their beneficiaries. Statement 68 requires cost-sharing employers to record a liability and expense equal to their proportionate share of the collective net pension liability and expense for the cost-sharing plan. The Statement also will improve the comparability and consistency of how governments calculate the pension liabilities and expense.

PELLSTON PUBLIC SCHOOLS
PELLSTON, MICHIGAN

REQUIRED SUPPLEMENTARY INFORMATION

BUDGETARY COMPARISON SCHEDULE
GENERAL FUND

YEAR ENDED JUNE 30, 2014

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL
<u>REVENUES</u>			
Local Sources	\$ 2,932,723	\$ 2,984,778	\$ 3,000,253
State Sources	2,084,610	2,211,493	2,211,779
Federal Sources	437,045	441,823	443,120
Other Transactions	385,454	344,922	347,122
Total Revenues	5,839,832	5,983,016	6,002,274
<u>EXPENDITURES</u>			
Instruction			
Basic Programs	2,817,464	2,975,003	2,950,741
Added Needs	964,953	987,029	984,925
Supporting Services			
Pupil	160,085	221,976	221,976
Instructional Staff	45,956	70,633	70,579
General Administration	251,893	255,547	255,254
School Administration	343,898	367,372	367,372
Business	81,325	77,237	77,237
Operating and Maintenance	458,510	467,441	466,713
Pupil Transportation	319,323	288,123	287,357
Support Services Central	95,939	71,121	70,218
Other Support Services-Athletic Activities	142,545	139,598	137,573
Community Service	3,520	838	837
Total Expenditures	5,685,411	5,921,918	5,890,782
Excess (Deficiency) of Revenues Over (Under) Expenditures	154,421	61,098	111,492
<u>OTHER FINANCING SOURCES (USES)</u>			
Transfers In	0	0	9,003
Transfers Out	(163,000)	(150,994)	(150,995)
Total Other Financing Sources (Uses)	(163,000)	(150,994)	(141,992)
Net Change in Fund Balance	(8,579)	(89,896)	(30,500)
<u>FUND BALANCE</u> - Beginning of Year	487,303	487,303	487,303
<u>FUND BALANCE</u> - End of Year	\$ 478,724	\$ 397,407	\$ 456,803

PELLSTON PUBLIC SCHOOLS
PELLSTON, MICHIGAN

NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET

JUNE 30, 2014

	SPECIAL REVENUE FUND	DEBT SERVICE FUNDS					TOTAL NONMAJOR GOVERNMENTAL FUNDS
		FOOD SERVICE FUND	2012 DEBT RETIREMENT	2012 SCHOOL TECHNOLOGY AND EQUIPMENT	ENERGY BONDS	2010 QZAB BONDS	
<u>ASSETS</u>							
Cash	\$ 2,010	\$ 34,456	\$ 10,353	\$ 0	\$ 0	\$ 0	\$ 46,819
Accounts Receivable	599	0	0	0	0	0	599
Due from Other Governments	13,201	0	0	0	0	0	13,201
Inventory	3,364	0	0	0	0	0	3,364
TOTAL ASSETS	\$ 19,174	\$ 34,456	\$ 10,353	\$ 0	\$ 0	\$ 0	\$ 63,983
<u>LIABILITIES AND FUND BALANCE</u>							
<u>LIABILITIES</u>							
Accounts Payable	\$ 2,267	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 2,267
Salaries Payable	694	0	0	0	0	0	694
Due to Other Funds	4,766	0	0	0	0	0	4,766
Total Liabilities	7,727	0	0	0	0	0	7,727
<u>FUND BALANCE</u>							
Nonspendable:							
Inventory	3,364	0	0	0	0	0	3,364
Restricted:							
Debt Service	0	34,456	10,353	0	0	0	44,809
Food Service	8,083	0	0	0	0	0	8,083
Total Fund Balance	11,447	34,456	10,353	0	0	0	56,256
TOTAL LIABILITIES AND FUND BALANCE	\$ 19,174	\$ 34,456	\$ 10,353	\$ 0	\$ 0	\$ 0	\$ 63,983

PELLSTON PUBLIC SCHOOLS
PELLSTON, MICHIGAN

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

YEAR ENDED JUNE 30, 2014

	SPECIAL REVENUE FUND		DEBT SERVICE FUNDS				TOTAL NONMAJOR GOVERNMENTAL FUNDS	
	FOOD SERVICE FUND	2002 DEBT RETIREMENT	2012 SCHOOL TECHNOLOGY AND EQUIPMENT		ENERGY BONDS	2010 QZAB BONDS		2011 QZAB BONDS
<u>REVENUES</u>								
Local Sources	\$ 69,820	\$ 268,254	\$ 56,403	\$ 0	\$ 0	\$ 0	\$ 394,477	
State Sources	18,117	0	0	0	0	0	18,117	
Federal Sources	238,078	0	0	0	25,802	15,716	279,596	
Total Revenues	326,015	268,254	56,403	0	25,802	15,716	692,190	
<u>EXPENDITURES</u>								
Food Service Activities								
Salaries	85,718	0	0	0	0	0	85,718	
Employees Benefits	55,772	0	0	0	0	0	55,772	
Purchased Services	8,853	0	0	0	0	0	8,853	
Supplies, Materials and Other	158,519	0	0	0	0	0	158,519	
Debt Service								
Principal	0	240,000	30,000	65,000	71,000	0	406,000	
Interest and Fees	0	31,650	16,050	5,909	30,920	19,684	104,213	
Total Expenditures	308,862	271,650	46,050	70,909	101,920	19,684	819,075	
Excess of Revenues Over (Under) Expenditures	17,153	(3,396)	10,353	(70,909)	(76,118)	(3,968)	(126,885)	
<u>OTHER FINANCING SOURCES (USES)</u>								
Transfers In/ (Out)	(9,003)	0	0	70,909	76,118	3,968	141,992	
Total Other Financing Sources (Uses)	(9,003)	0	0	70,909	76,118	3,968	141,992	
Net Change in Fund Balance	8,150	(3,396)	10,353	0	0	0	15,107	
<u>FUND BALANCE</u> - Beginning of Year	3,297	37,852	0	0	0	0	41,149	
<u>FUND BALANCE</u> - End of Year	\$ 11,447	\$ 34,456	\$ 10,353	\$ 0	\$ 0	\$ 0	\$ 56,256	

PELLSTON PUBLIC SCHOOLS
PELLSTON, MICHIGAN

GENERAL FUND

BALANCE SHEET
JUNE 30, 2014

WITH COMPARATIVE TOTALS FOR JUNE 30, 2013

	<u>2014</u>	<u>2013</u>
<u>ASSETS</u>		
Cash and Cash Equivalents	\$ 461,993	\$ 505,565
Investments	16,277	16,271
Accounts Receivable	17,261	152
Due from Other Funds	4,766	21,475
Due from Other Governments	457,715	431,132
Inventory	21,148	21,148
	<hr/>	<hr/>
TOTAL ASSETS	\$ 979,160	\$ 995,743
	<hr/>	<hr/>
<u>LIABILITIES AND FUND BALANCE</u>		
<u>LIABILITIES</u>		
Accounts Payable	\$ 36,126	\$ 19,047
Unearned Revenue	31,959	8,554
Accrued Expenses	137,311	205,432
Salaries Payable	316,961	275,407
	<hr/>	<hr/>
Total Liabilities	522,357	508,440
	<hr/>	<hr/>
<u>FUND BALANCE</u>		
Nonspendable:		
Inventory	21,148	21,148
Assigned for:		
Budgeted Use of Subsequent Year's Fund Balance	0	8,579
Unassigned	435,655	457,576
	<hr/>	<hr/>
Total Fund Balance	456,803	487,303
	<hr/>	<hr/>
TOTAL LIABILITIES AND FUND BALANCE	\$ 979,160	\$ 995,743
	<hr/>	<hr/>

PELLSTON PUBLIC SCHOOLS
PELLSTON, MICHIGAN

GENERAL FUND

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

YEAR ENDED JUNE 30, 2014

WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2013

	2014	2013
<u>REVENUES</u>		
Local Sources	\$ 3,000,253	\$ 3,054,424
State Sources	2,211,779	2,140,832
Federal Sources	443,120	521,780
Other Transactions	347,122	382,618
	6,002,274	6,099,654
Total Revenues		
<u>EXPENDITURES</u>		
Instruction		
Basic Programs		
Elementary	1,067,003	1,114,508
Middle School	835,603	948,495
High School	816,306	911,742
Pre-School	212,297	173,105
Summer School	19,532	18,992
Added Needs		
Special Education	396,178	452,380
Compensatory Education	382,088	320,452
Career and Technical Education	206,659	147,616
Supporting Services		
Pupil		
Guidance Services	101,986	91,565
Social Work Services	65,607	63,836
Other Pupil Services	54,383	58,620
Instructional Staff		
Improvement of Instruction	21,875	46,234
Educational Media Services	1,167	3,214
Technology Assisted Instruction	38,501	12,873
Supervision and Direction of Instructional Staff	9,036	13,363
General Administration		
Board of Education	28,870	37,367
Executive Administration	226,384	241,123

PELLSTON PUBLIC SCHOOLS
PELLSTON, MICHIGAN

GENERAL FUND

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

YEAR ENDED JUNE 30, 2014

WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2013

	<u>2014</u>	<u>2013</u>
School Administration		
Office of the Principal	366,006	346,460
Other School Administration	1,366	1,153
Business		
Fiscal Services	62,788	63,687
Other Business Services	14,449	27,944
Operation and Maintenance of Plant	466,713	451,720
Pupil Transportation Services	287,357	355,921
Support Services Central		
Staff/Personnel Services	300	585
Information Management Services	69,918	73,970
Other Support Services		
Athletic Activities	137,573	155,123
Community Services		
Community Recreation	594	1,947
Community Activities	243	0
	<hr/>	<hr/>
Total Expenditures	5,890,782	6,133,995
	<hr/>	<hr/>
Excess of Revenues Over (Under) Expenditures	111,492	(34,341)
	<hr/>	<hr/>
<u>OTHER FINANCING SOURCES (USES)</u>		
Transfers In	9,003	0
Transfers Out	(150,995)	(149,801)
	<hr/>	<hr/>
Total Other Financing Sources (Uses)	(141,992)	(149,801)
	<hr/>	<hr/>
Net Change in Fund Balance	(30,500)	(184,142)
<u>FUND BALANCE</u> - Beginning of Year	487,303	671,445
	<hr/>	<hr/>
<u>FUND BALANCE</u> - End of Year	<u>\$ 456,803</u>	<u>\$ 487,303</u>

PELLSTON PUBLIC SCHOOLS
PELLSTON , MICHIGAN

GENERAL FUND
ANALYSIS OF REVENUES AND OTHER FINANCING SOURCES

YEAR ENDED JUNE 30, 2014

WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2013

	<u>2014</u>	<u>2013</u>
<u>LOCAL SOURCES</u>		
Property Taxes	\$ 2,882,940	\$ 2,859,601
Charges for Services	24,522	25,755
Earnings on Investments and Deposits	612	2,528
Other Local Revenue	92,179	166,540
	<hr/>	<hr/>
Total Local Sources	3,000,253	3,054,424
	<hr/>	<hr/>
<u>STATE SOURCES</u>		
State Aid	1,907,736	1,864,942
Other State Revenue	304,043	275,890
	<hr/>	<hr/>
Total State Sources	2,211,779	2,140,832
	<hr/>	<hr/>
<u>FEDERAL SOURCES</u>		
Title I	263,698	224,163
Title II - Part A	29,749	46,234
Title VI - Part B	0	12,873
Title IVB - 21st Century	96,676	206,102
Title VII - Indian Education	28,275	30,035
Temporary Assistance for Needy Families	21,507	0
Other	3,215	2,373
	<hr/>	<hr/>
Total Federal Sources	443,120	521,780
	<hr/>	<hr/>
<u>OTHER TRANSACTIONS</u>		
Char-Em ISD	343,466	379,497
Other	3,656	3,121
	<hr/>	<hr/>
Total Other Transactions	347,122	382,618
	<hr/>	<hr/>
Total Revenues	6,002,274	6,099,654
	<hr/>	<hr/>
<u>OTHER FINANCING SOURCES</u>		
<u>Operating Transfers In</u>		
Food Service Fund	9,003	0
	<hr/>	<hr/>
TOTAL REVENUES AND OTHER FINANCING SOURCES	\$ 6,011,277	\$ 6,099,654
	<hr/>	<hr/>

PELLSTON PUBLIC SCHOOLS
PELLSTON, MICHIGAN

GENERAL FUND
ANALYSIS OF EXPENDITURES AND OTHER FINANCING USES

YEAR ENDED JUNE 30, 2014

WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2013

	<u>2014</u>	<u>2013</u>
<u>INSTRUCTION</u>		
<u>Basic Programs</u>		
<u>Elementary</u>		
Salaries	\$ 644,434	\$ 651,530
Employee Benefits	380,931	403,010
Purchased Services	27,806	16,525
Supplies, Materials and Other	13,732	43,259
Capital Outlay	100	184
Total Elementary	<u>1,067,003</u>	<u>1,114,508</u>
<u>Middle School</u>		
Salaries	477,233	556,735
Employee Benefits	333,141	359,262
Purchased Services	6,049	25,704
Supplies, Materials and Other	7,798	6,794
Payments to Other School Districts	11,382	0
Total Middle School	<u>835,603</u>	<u>948,495</u>
<u>High School</u>		
Salaries	436,784	474,432
Employee Benefits	288,759	307,726
Purchased Services	34,633	40,618
Supplies, Materials and Other	11,743	16,825
Payments to Other School Districts	44,387	72,141
Total High School	<u>816,306</u>	<u>911,742</u>
<u>Pre-School</u>		
Salaries	113,487	88,942
Employee Benefits	68,356	57,172
Purchased Services	1,593	12,382
Supplies, Materials and Other	28,861	14,609
Total Pre-School	<u>212,297</u>	<u>173,105</u>

PELLSTON PUBLIC SCHOOLS
PELLSTON, MICHIGAN

GENERAL FUND
ANALYSIS OF EXPENDITURES AND OTHER FINANCING USES

YEAR ENDED JUNE 30, 2014

WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2013

	<u>2014</u>	<u>2013</u>
<u>Summer School</u>		
Salaries	11,488	12,147
Employee Benefits	4,566	3,930
Purchased Services	3,169	2,788
Supplies, Materials and Other	309	127
Total Summer School	<u>19,532</u>	<u>18,992</u>
<u>Added Needs</u>		
<u>Special Education</u>		
Salaries	217,262	255,830
Employee Benefits	171,934	185,956
Purchased Services	6,703	9,945
Supplies, Materials and Other	279	649
Total Special Education	<u>396,178</u>	<u>452,380</u>
<u>Compensatory Education</u>		
Salaries	226,377	185,218
Employee Benefits	137,829	103,730
Purchased Services	6,596	18,349
Supplies, Materials and Other	11,286	13,155
Total Compensatory Education	<u>382,088</u>	<u>320,452</u>
<u>Career and Technical Education</u>		
Salaries	104,830	58,769
Employee Benefits	81,650	37,356
Purchased Services	4,237	2,883
Supplies, Materials and Other	15,942	13,896
Capital Outlay	0	34,712
Total Career and Technical Education	<u>206,659</u>	<u>147,616</u>

PELLSTON PUBLIC SCHOOLS
PELLSTON, MICHIGAN

GENERAL FUND
ANALYSIS OF EXPENDITURES AND OTHER FINANCING USES

YEAR ENDED JUNE 30, 2014

WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2013

	<u>2014</u>	<u>2013</u>
<u>SUPPORTING SERVICES</u>		
<u>Pupil</u>		
<u>Guidance Services</u>		
Salaries	56,000	51,563
Employee Benefits	39,183	37,510
Purchased Services	6,803	2,470
Supplies, Materials and Other	0	22
Total Guidance Services	<u>101,986</u>	<u>91,565</u>
<u>Social Work Services</u>		
Salaries	40,867	39,000
Employee Benefits	24,740	24,836
Total Social Work Services	<u>65,607</u>	<u>63,836</u>
<u>Other Pupil Services</u>		
Salaries	35,560	37,253
Employee Benefits	17,997	17,851
Purchased Services	826	3,516
Total Other Pupil Services	<u>54,383</u>	<u>58,620</u>
<u>Instructional Staff</u>		
<u>Improvement of Instruction</u>		
Salaries	560	5,800
Employee Benefits	236	1,844
Purchased Services	16,626	38,091
Supplies, Materials and Other	858	499
Payments to Other School Districts	3,595	0
Total Improvement of Instruction	<u>21,875</u>	<u>46,234</u>

PELLSTON PUBLIC SCHOOLS
PELLSTON, MICHIGAN

GENERAL FUND
ANALYSIS OF EXPENDITURES AND OTHER FINANCING USES

YEAR ENDED JUNE 30, 2014

WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2013

	<u>2014</u>	<u>2013</u>
<u>Educational Media Services</u>		
Salaries	923	1,534
Employee Benefits	244	1,680
Total Educational Media Services	<u>1,167</u>	<u>3,214</u>
<u>Technology Assisted Instruction</u>		
Supplies, Materials and Other	38,501	12,873
Total Technology Assisted Instruction	<u>38,501</u>	<u>12,873</u>
<u>Supervision and Direction of Instructional Staff</u>		
Salaries	7,000	9,500
Employee Benefits	536	2,034
Purchased Services	926	1,247
Supplies, Materials and Other	574	582
Total Supervision and Direction of Instructional Staff	<u>9,036</u>	<u>13,363</u>
<u>General Administration</u>		
<u>Board of Education</u>		
Salaries	8,677	4,410
Employee Benefits	664	337
Purchased Services	18,564	30,711
Supplies, Materials and Other	965	1,909
Total Board of Education	<u>28,870</u>	<u>37,367</u>
<u>Executive Administration</u>		
Salaries	129,132	140,804
Employee Benefits	74,530	78,525
Purchased Services	14,654	12,542
Supplies, Materials and Other	8,068	9,252
Total Executive Administration	<u>226,384</u>	<u>241,123</u>

PELLSTON PUBLIC SCHOOLS
PELLSTON, MICHIGAN

GENERAL FUND
ANALYSIS OF EXPENDITURES AND OTHER FINANCING USES

YEAR ENDED JUNE 30, 2014

WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2013

	<u>2014</u>	<u>2013</u>
<u>School Administration</u>		
<u>Office of the Principal</u>		
Salaries	218,850	210,457
Employee Benefits	141,309	123,902
Purchased Services	4,573	5,495
Supplies, Materials and Other	1,274	2,507
Capital Outlay	0	4,099
Total Office of the Principal	<u>366,006</u>	<u>346,460</u>
<u>Other School Administration</u>		
Supplies, Materials and Other	1,366	1,153
Total Other School Administration	<u>1,366</u>	<u>1,153</u>
<u>Business</u>		
<u>Fiscal Services</u>		
Purchased Services	62,624	60,579
Supplies, Materials and Other	164	3,108
Total Fiscal Services	<u>62,788</u>	<u>63,687</u>
<u>Other Business Services</u>		
Purchased Services	3,825	3,825
Supplies, Materials and Other	10,624	24,119
Total Other Business Services	<u>14,449</u>	<u>27,944</u>
<u>Operation and Maintenance of Plant</u>		
Salaries	2,680	0
Employee Benefits	869	2,850
Purchased Services	284,645	276,844
Supplies, Materials and Other	178,519	170,916
Capital Outlay	0	1,110
Total Operation and Maintenance of Plant	<u>466,713</u>	<u>451,720</u>

PELLSTON PUBLIC SCHOOLS
PELLSTON, MICHIGAN

GENERAL FUND
ANALYSIS OF EXPENDITURES AND OTHER FINANCING USES

YEAR ENDED JUNE 30, 2014

WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2013

	<u>2014</u>	<u>2013</u>
<u>Pupil Transportation Services</u>		
Salaries	135,771	160,859
Employee Benefits	67,784	68,805
Purchased Services	21,917	20,651
Supplies, Materials and Other	61,885	97,779
Capital Outlay	0	7,827
Total Pupil Transportation Services	<u>287,357</u>	<u>355,921</u>
 <u>Support Services-Central</u>		
<u>Staff/Personnel Services</u>		
Supplies, Materials and Other	300	585
Total Staff/Personnel Services	<u>300</u>	<u>585</u>
 <u>Information Management Services</u>		
Purchased Services	63,821	67,443
Supplies, Materials and Other	6,097	6,527
Total Information Management Services	<u>69,918</u>	<u>73,970</u>
 <u>Other Support Services</u>		
<u>Athletic Activities</u>		
Salaries	42,908	60,651
Employee Benefits	19,768	25,019
Purchased Services	56,102	48,041
Supplies, Materials and Other	15,022	15,163
Capital Outlay	3,773	6,249
Total Athletic Activities	<u>137,573</u>	<u>155,123</u>

PELLSTON PUBLIC SCHOOLS
PELLSTON, MICHIGAN

GENERAL FUND
ANALYSIS OF EXPENDITURES AND OTHER FINANCING USES

YEAR ENDED JUNE 30, 2014

WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2013

	<u>2014</u>	<u>2013</u>
<u>COMMUNITY SERVICES</u>		
<u>Community Recreation</u>		
Purchased Services	594	1,947
Total Community Recreation	<u>594</u>	<u>1,947</u>
<u>Community Activities</u>		
Supplies, Materials and Other	243	0
Total Community Recreation	<u>243</u>	<u>0</u>
Total Expenditures	<u>5,890,782</u>	<u>6,133,995</u>
<u>OTHER FINANCING USES</u>		
<u>Operating Transfers Out</u>		
2011 QZAB Bonds Debt Service Fund	3,968	2,611
2010 QZAB Bonds Debt Service Fund	76,118	73,545
Energy Bonds Debt Service Fund	70,909	73,645
Total Other Financing Uses	<u>150,995</u>	<u>149,801</u>
<u>TOTAL EXPENDITURES AND OTHER FINANCING USES</u>	<u>\$ 6,041,777</u>	<u>\$ 6,283,796</u>

PELLSTON PUBLIC SCHOOLS
PELLSTON, MICHIGAN

AGENCY FUND

STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND BALANCE

YEAR ENDED JUNE 30, 2014

	<u>BALANCE</u> 6/30/13	<u>RECEIPTS</u> (Including Transfers)	<u>DISBURSEMENTS</u>	<u>BALANCE</u> 6/30/14
Cadwell Scholarship	\$ 18,159	\$ 0	\$ 1,000	\$ 17,159
Hayes Scholarship	4,801	0	900	3,901
Johnson Scholarship	4,000	0	0	4,000
Sports Boosters Scholarship	9,645	20,909	19,273	11,281
Athletic General	439	1,636	1,421	654
Band Boosters	651	3,151	3,062	740
Beverage Consortium	1,066	2,199	1,351	1,914
Christmas/Needy	543	789	1,051	281
Elem. Social Fund	160	100	35	225
Elem. Teachers Pop	439	0	63	376
Elementary Principal	90	250	31	309
General Fund	46	0	46	0
Interest and Miscellaneous	454	261	544	171
Middle School Principal	183	451	571	63
Middle School/High School Social Fund	172	480	493	159
Office Concessions	142	260	41	361
Popcorn Poppers - Elementary	204	0	204	0
RIF Bookfair	248	2,423	2,434	237
Safety Sam	559	0	0	559
Science/Trout	818	1,705	2,232	291
Sports Boosters	3,765	119	2,583	1,301
Support Staff Fund	26	105	0	131
Woodshop	1,720	3,085	1,383	3,422
Art	1,039	2,811	2,367	1,483
Athletic Fundraising	3,408	16,569	19,860	117
Class of 2011	51	0	51	0
Class of 2012	394	0	0	394
Class of 2013	1,180	0	0	1,180
Class of 2014	880	1,922	2,685	117
Class of 2015	1,905	3,360	5,072	193
Class of 2016	852	483	250	1,085
Class of 2017	1,881	339	24	2,196
Class of 2018	144	0	0	144
Elementary Drama	2,547	19,682	18,212	4,017
Elementary School Cash	578	369	258	689
Class of 2019	382	1,259	659	982
Class of 2020	4	1,708	1,630	82

PELLSTON PUBLIC SCHOOLS
PELLSTON, MICHIGAN

AGENCY FUND

STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND BALANCE

YEAR ENDED JUNE 30, 2014

	<u>BALANCE</u> 6/30/13	<u>RECEIPTS</u> (Including Transfers)	<u>DISBURSEMENTS</u>	<u>BALANCE</u> 6/30/14
First Grade	477	309	466	320
Fourth Grade	626	2,342	2,493	475
High School Drama	440	1,503	1,087	856
High School Student Council	935	1,640	1,106	1,469
Kindergarten	(3)	564	236	325
Math Department	931	55	38	948
Middle School Student Council	1,310	344	405	1,249
National Honors Society	1,031	2,106	2,419	718
Preschool	165	217	157	225
Second Grade	763	1,637	1,506	894
Ski Club	(139)	8,558	8,206	213
START	372	1,474	1,152	694
Student Flow	1,789	5,460	4,113	3,136
Third Grade	695	1,066	630	1,131
Yearbook	2,442	2,220	2,399	2,263
Youth Enrichment	1,089	0	400	689
John McLarty Family Scholarship	10,000	0	500	9,500
Class of 2021	0	334	0	334
Football	0	5,620	4,595	1,025
Baseball	0	3,018	2,825	193
Volleyball	0	10,532	7,665	2,867
Softball	0	7,416	4,969	2,447
Girls Basketball	0	1,588	40	1,548
Track	0	4,021	2,821	1,200
Boys Basketball	0	5,790	3,764	2,026
	<u>\$ 86,498</u>	<u>\$ 154,239</u>	<u>\$ 143,778</u>	<u>\$ 96,959</u>

Represented by

Assets

Cash and Cash Equivalents	\$ 27,407	\$ 37,850
Investments	<u>59,091</u>	<u>59,109</u>
Total Assets	<u>\$ 86,498</u>	<u>\$ 96,959</u>

Liabilities

Due to Groups and Organizations	<u>\$ 86,498</u>	<u>\$ 96,959</u>
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PELLSTON PUBLIC SCHOOLS
PELLSTON, MICHIGAN

SCHEDULE OF BONDS PAYABLE
JUNE 30, 2014

<u>TITLE OF ISSUE</u>	2004 Energy Conservation Improvement Bonds		
<u>DATE OF ISSUE</u>	July 9, 2004		
<u>INTEREST PAYABLE</u>	May 1, and November 1 of each year		
<u>AMOUNT OF ISSUE</u>		\$	575,000
<u>AMOUNT REDEEMED</u>			
Redeemed Prior to Current Year	\$	440,000	
Redeemed During Current Year		65,000	505,000
<u>BALANCE OUTSTANDING - June 30, 2014</u>		\$	70,000

<u>DUE DATES</u>	<u>INTEREST RATES</u>	<u>REQUIREMENTS</u>		
		<u>TOTAL</u>	<u>INTEREST</u>	<u>PRINCIPAL</u>
November 1, 2014	4.21%	\$ 1,474	\$ 1,474	\$ 0
May 1, 2015	4.21%	71,474	1,474	70,000
		\$ 72,948	\$ 2,948	\$ 70,000

Note: This Bond is not subject to redemption prior to maturity by the District.

PELLSTON PUBLIC SCHOOLS
PELLSTON, MICHIGAN

SCHEDULE OF BONDS PAYABLE
JUNE 30, 2014

<u>TITLE OF ISSUE</u>	2002 School Building and Site Bond		
<u>DATE OF ISSUE</u>	February 2, 2002		
<u>INTEREST PAYABLE</u>	May 1, and November 1, of each year		
<u>AMOUNT OF ISSUE</u>			\$ 2,600,000
<u>AMOUNT REDEEMED</u>			
Redeemed Prior to Current Year		\$ 1,880,000	
Redeemed During Current Year		240,000	2,120,000
<u>BALANCE OUTSTANDING</u> - June 30, 2014			\$ 480,000

<u>DUE DATES</u>	<u>INTEREST</u>	<u>REQUIREMENTS</u>		
	<u>RATES</u>	<u>TOTAL</u>	<u>INTEREST</u>	<u>PRINCIPAL</u>
November 1, 2014	4.2500%	\$ 10,350	\$ 10,350	\$ 0
May 1, 2015	4.2500%	250,350	10,350	240,000
November 1, 2015	4.3750%	5,250	5,250	0
May 1, 2016	4.3750%	245,250	5,250	240,000
		\$ 511,200	\$ 31,200	\$ 480,000

Note: Bonds of this issue maturing in the fiscal years 2007 through 2011, inclusive, shall not be subject to redemption prior to maturity. Bonds or portions of bonds in multiples of \$5,000 of this issue maturing in the year 2012 and thereafter, shall be subject to redemption prior to maturity, at the option of the issuer, in such order as the issuer may determine and by lot within any maturity, on any interest payment date on or after May 1, 2011, at par and accrued interest to the date fixed for redemption.

PELLSTON PUBLIC SCHOOLS
PELLSTON, MICHIGAN

SCHEDULE OF BONDS PAYABLE
JUNE 30, 2014

<u>TITLE OF ISSUE</u>	2008 General Obligation Refundable Bonds	
<u>DATE OF ISSUE</u>	September 29, 2008	
<u>INTEREST PAYABLE</u>	May 1, and November 1 of each year	
<u>AMOUNT OF ISSUE</u>	\$	7,940,000
<u>AMOUNT REDEEMED</u>		
Redeemed Prior to Current Year	\$	1,590,000
Redeemed During Current Year		490,000
		2,080,000
<u>BALANCE OUTSTANDING - June 30, 2014</u>	\$	5,860,000

<u>DUE DATES</u>	<u>INTEREST</u>	<u>REQUIREMENTS</u>		
	<u>RATES</u>	<u>TOTAL</u>	<u>INTEREST</u>	<u>PRINCIPAL</u>
November 1, 2014	3.8500%	\$ 115,938	\$ 115,938	\$ 0
May 1, 2015	3.8500%	640,938	115,938	525,000
November 1, 2015	3.8500%	105,831	105,831	0
May 1, 2016	3.8500%	665,831	105,831	560,000
November 1, 2016	3.8500%	95,051	95,051	0
May 1, 2017	3.8500%	835,051	95,051	740,000
November 1, 2017	3.8500%	80,806	80,806	0
May 1, 2018	3.8500%	840,806	80,806	760,000
November 1, 2018	3.8500%	66,176	66,176	0
May 1, 2019	3.8500%	851,176	66,176	785,000
November 1, 2019	4.0000%	51,065	51,065	0
May 1, 2020	4.0000%	861,065	51,065	810,000
November 1, 2020	4.1000%	34,865	34,865	0
May 1, 2021	4.1000%	864,865	34,865	830,000
November 1, 2021	4.2000%	17,850	17,850	0
May 1, 2022	4.2000%	867,850	17,850	850,000
		\$ 6,995,164	\$ 1,135,164	\$ 5,860,000

PELLSTON PUBLIC SCHOOLS
PELLSTON, MICHIGAN

SCHEDULE OF BONDS PAYABLE
JUNE 30, 2014

<u>TITLE OF ISSUE</u>	2010 School Improvement Bond		
<u>DATE OF ISSUE</u>	December 29, 2010		
<u>INTEREST PAYABLE</u>	May 1, and November 1 of each year		
<u>AMOUNT OF ISSUE</u>	\$		710,000
<u>AMOUNT REDEEMED</u>			
Redeemed Prior to Current Year	\$	213,000	
Redeemed During Current Year		71,000	284,000
<u>BALANCE OUTSTANDING - June 30, 2014</u>	\$		<u>426,000</u>

<u>DUE DATES</u>	INTEREST	<u>REQUIREMENTS</u>		
	RATES	<u>TOTAL</u>	<u>INTEREST</u>	<u>PRINCIPAL</u>
November 1, 2014	6.0000%	\$ 12,780	\$ 12,780	\$ 0
May 1, 2015	6.0000%	83,780	12,780	71,000
November 1, 2015	6.0000%	10,650	10,650	0
May 1, 2016	6.0000%	81,650	10,650	71,000
November 1, 2016	6.0000%	8,520	8,520	0
May 1, 2017	6.0000%	79,520	8,520	71,000
November 1, 2017	6.0000%	6,390	6,390	0
May 1, 2018	6.0000%	77,390	6,390	71,000
November 1, 2018	6.0000%	4,260	4,260	0
May 1, 2019	6.0000%	75,260	4,260	71,000
November 1, 2019	6.0000%	2,130	2,130	0
May 1, 2020	6.0000%	73,130	2,130	71,000
		<u>\$ 515,460</u>	<u>\$ 89,460</u>	<u>\$ 426,000</u>

PELLSTON PUBLIC SCHOOLS
PELLSTON, MICHIGAN

SCHEDULE OF BONDS PAYABLE
JUNE 30, 2014

<u>TITLE OF ISSUE</u>	2011 School Improvement Bond		
<u>DATE OF ISSUE</u>	March 3, 2011		
<u>INTEREST PAYABLE</u>	May 1, and November 1 of each year		
<u>AMOUNT OF ISSUE</u>	\$		315,000
<u>AMOUNT REDEEMED</u>			
Redeemed Prior to Current Year	\$	0	0
Redeemed During Current Year		0	0
<u>BALANCE OUTSTANDING - June 30, 2014</u>	\$		<u>315,000</u>

<u>DUE DATES</u>	<u>INTEREST</u>	<u>REQUIREMENTS</u>		
	<u>RATES</u>	<u>TOTAL</u>	<u>INTEREST</u>	<u>PRINCIPAL</u>
November 1, 2014		\$ 9,642	\$ 9,642	\$ 0
May 1, 2015		9,642	9,642	0
November 1, 2015		9,642	9,642	0
May 1, 2016		9,642	9,642	0
November 1, 2016		9,642	9,642	0
May 1, 2017		9,642	9,642	0
November 1, 2017		9,642	9,642	0
May 1, 2018		9,642	9,642	0
November 1, 2018		9,642	9,642	0
May 1, 2019		9,642	9,642	0
November 1, 2019		9,642	9,642	0
May 1, 2020		9,642	9,642	0
November 1, 2020	5.8000%	69,642	9,642	60,000
May 1, 2021	5.8000%	7,902	7,902	0
November 1, 2021	6.0000%	67,902	7,902	60,000
May 1, 2022	6.0000%	6,101	6,101	0
November 1, 2022	6.2000%	71,102	6,102	65,000
May 1, 2023	6.2000%	4,086	4,086	0
November 1, 2023	6.2000%	69,087	4,087	65,000
May 1, 2024	6.2000%	2,071	2,071	0
November 1, 2024	6.3750%	67,072	2,072	65,000
		<u>\$ 480,669</u>	<u>\$ 165,669</u>	<u>\$ 315,000</u>

PELLSTON PUBLIC SCHOOLS
PELLSTON, MICHIGAN

SCHEDULE OF BONDS PAYABLE
JUNE 30, 2014

<u>TITLE OF ISSUE</u>	2012 School Technology and Equipment Bonds	
<u>DATE OF ISSUE</u>	November 6, 2012	
<u>INTEREST PAYABLE</u>	May 1, and November 1 of each year	
<u>AMOUNT OF ISSUE</u>	\$	770,000
<u>AMOUNT REDEEMED</u>		
Redeemed Prior to Current Year	\$	0
Redeemed During Current Year		0
		30,000
<u>BALANCE OUTSTANDING - June 30, 2014</u>	\$	740,000

<u>DUE DATES</u>	<u>INTEREST</u>	<u>REQUIREMENTS</u>		
	<u>RATES</u>	<u>TOTAL</u>	<u>INTEREST</u>	<u>PRINCIPAL</u>
November 1, 2014	2.0000%	\$ 7,625	\$ 7,625	\$ 0
May 1, 2015	2.0000%	47,625	7,625	40,000
November 1, 2015	2.0000%	7,225	7,225	0
May 1, 2016	2.0000%	57,225	7,225	50,000
November 1, 2016	2.0000%	6,725	6,725	0
May 1, 2017	2.0000%	146,725	6,725	140,000
November 1, 2017	2.0000%	5,325	5,325	0
May 1, 2018	2.0000%	165,325	5,325	160,000
November 1, 2018	2.0000%	3,725	3,725	0
May 1, 2019	2.0000%	173,725	3,725	170,000
November 1, 2019	2.2500%	2,025	2,025	0
May 1, 2020	2.2500%	182,025	2,025	180,000
		\$ 805,300	\$ 65,300	\$ 740,000

