Beal City Public Schools

Financial Statements

June 30, 2019

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Beal City Public Schools
Members of the Board of Education and Administration
June 30, 2019

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Independent Auditors' Report

Management and the Board of Education
Beal City Public Schools
Mt. Pleasant, 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 Beal City Public Schools, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Beal City Public Schools, as of June 30, 2019, 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.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, schedule of the school district's proportionate share of the net pension liability, schedule of the school district's pension contributions, schedule of the school district's proportionate share of the net OPEB liability, and schedule of the school district's OPEB contributions, as identified in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, 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 Supplementary Information

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

The other supplementary information, as identified in the table of contents, is the responsibility of management and, other than the prior year information, was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The other supplementary 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, other than the prior year information, the other supplementary information, as identified in the table of contents, is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Prior Year Supplementary Information

We also have previously audited, in accordance with auditing standards generally accepted in the United States, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, Beal City Public Schools' basic financial statements as of and for the year ended June 30, 2018, which are not presented with the accompanying basic financial statements. In our report dated October 8, 2018, we expressed unmodified opinions on the respective basic financial statements of the governmental activities, each major fund, and the aggregate remaining fund information. That audit was conducted for the purpose of forming opinions on the basic financial statements that collectively comprise Beal City Public Schools' basic financial statements as a whole. The 2018 information in the comparative supplementary schedules is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the 2018 basic financial statements. The information has been subjected to the auditing procedures applied in the audit of those 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 2018 information in the comparative supplementary schedules are fairly stated in all material respects in relation to the basic financial statements from which they have been derived.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 3, 2019 on our consideration of Beal City 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 Beal City Public Schools' internal control over financial reporting and compliance.

Yeo & Yeo, P.C.

Alma, Michigan
October 3, 2019

MANAGEMENT’S DISCUSSION AND ANALYSIS

Beal City Public School District
Management's Discussion and Analysis
For the Year Ended June 30, 2019

Beal City Public Schools (the District) management's discussion and analysis is intended to assist the reader in focusing on significant financial issues, provide an overview of the District's financial activity, identify changes in the District's financial position and its ability to address financial challenges in the years to come. It also identifies any material deviations from the financial plan and identifies individual fund issues or concerns. This is a requirement of the Governmental Accounting Standards Board Statement No. 34 (GASB 34) "Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments" and is intended to provide the financial results for the fiscal year ending June 30, 2019.

The following is an outline of how this financial report is presented.

Section 3	
MD&A	Management's Discussion and Analysis (required supplementary information)
Section 4	
Basic Financial Statements	District – Wide Financial Statements Fund Financial Statements Fiduciary Funds Notes to the Financial Statements
Section 5	
Required Supplementary Information	Budgetary Comparison Schedule Schedule of the School District's Proportionate Share of the Net Pension Liability Schedule of the School District's Pension Contributions Schedule of the School District's Proportionate Share of the Net OPEB Liability Schedule of the School District's OPEB Contributions
Section 6	
Other Supplementary Information	Combining Balance Sheets Combining Statements of Revenues, Expenditures and Changes in Fund Balances Comparative Balance Sheet Schedule of Revenues Compared to Budget Schedule of Expenditures Compared to Budget Schedule of Outstanding Bonded Indebtedness

As noted above, Section 4 contains two basic types of financial statements: District Wide Financial Statements and Fund Financial Statements in accordance with GASB 34.

District Wide Financial Statements

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

The Statement of Net Position combines and consolidates governmental funds' current financial resources (short-term spendable resources) with capital assets and long-term obligations, regardless if they are currently available or not.

The Statement of Activities presents information showing how the District's net position changed during the fiscal year. To be consistent with full accrual basis accounting, all changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows.

Fund Financial Statements

The fund financial statements are reported using the modified accrual method of accounting. Under this method of accounting, revenues are recorded when received or when they are measurable, and expenditures are accounted for in the period those goods and services were used to provide school programs. In addition, capital asset purchases are expensed in totality in the year purchased and not recorded as an asset. Debt payments are recorded as expenditures when they are paid and future debt obligations are not recorded.

Fund types include the General Fund, Special Revenue Fund, Debt Retirement Funds, Capital Project Funds, and Fiduciary Fund. The General Fund is used primarily to account for the general education requirements of the District. Its revenues are derived primarily from property taxes, state and federal distributions and grants. The Special Revenue Fund is used to record the activities of the food service operation. The Debt Retirement Funds are used to record the funding and payment of principal and interest on bonded debt. The Capital Project Fund is used to record the funding and payment of building construction and major site improvements. The Fiduciary Fund accounts for assets held by the District in a trustee capacity or as an agent for various student groups and related activities.

Financial Analysis of the District as a Whole

Summary of Statement of Net Position

	2018	2019
Assets		
Current assets	$3,770,494	$3,303,181
Capital assets	11,198,826	11,775,836
less accumulated depreciation	(6,169,897)	(6,432,565)
Capital Assets, net book value	5,028,929	5,343,271
Total assets	8,799,423	8,646,452
Deferred Outflows of Resources	2,229,949	3,892,311
Total assets and deferred outflows of resources	11,029,372	12,538,763
Liabilities		
Current liabilities	1,524,794	1,346,446
Long-term liabilities	15,026,806	15,322,461
Total liabilities	16,551,600	16,668,907
Deferred Inflows of Resources	1,042,945	2,075,527
Total liabilities and deferred inflows of resources	17,594,545	18,744,434
Net Position		
Net investment in capital assets	2,063,023	2,936,170
Restricted for debt service	127,195	131,987
Restricted for grants	136,947	174,210
Unrestricted (deficit)	(8,892,338)	(9,448,038)
Total net position	$(6,565,173)	($6,205,671)

Summary of the Statement of Net Position

As indicated by the statement above, total net position is ($6,205,671), a deficit caused by the implementation of the Governmental Accounting Standards Board's (GASB) Statement 68 which requires the District to record their proportionate share of the net pension liability of the Michigan Public Schools Employee Retirement System and by the implementation of (GASB) Statement 75 which requires the District to record their proportionate share of the net OPEB Other Post Employment Benefits. Net position can be separated into the following categories: net investment in capital assets, restricted and unrestricted.

Net investment in capital assets is a combination of capital assets at original cost less accumulated depreciation and related debt. The original cost of capital assets is $11,775,836 which is an accumulation of capital assets year after year less any capital disposals. The accumulated depreciation is the accumulation of depreciation expense since acquisition. In accordance with Generally Accepted Accounting Principles (GAAP), depreciation expense is recorded on the original cost of the asset, less an estimated salvage value, expensed over the estimated useful life of the asset. Total accumulated depreciation is $6,432,565. Many capital asset acquisitions are financed through long-term debt. Primarily, long-term debt is repaid as the debt service comes due through property taxes approved by the voters and is recorded as a liability in the statement of net position.

Net investment in capital assets is $2,936,170. Net position restricted for debt service is $131,987 and consists of cash balances in the debt service funds. Net position restricted for grants is $174,210 and consists of tribal grants and other grant dollars awarded but not yet spent. The remaining ($9,448,038) of net position is an unrestricted deficit. The unrestricted amount is an accumulation of prior years' operating results. This balance is directly affected each year by the District's operating results and GASB 68 and the implementation of GASB 75.

Summary of Statement of Activities

	2018	2019
Revenues		
Charges for Services	$ 213,254	$ 226,921
Operating & Capital Grants and Contributions	1,500,317	1,625,029
General Revenues	5,993,236	6,040,600
Total revenue	7,706,807	7,892,550
Expenses		
Instruction	4,567,613	4,617,335
Supporting services	2,446,955	2,518,481
Food services	286,992	296,641
Community Services	6,696	5,096
Interest on long-term debt	99,721	95,495
Total expenses	7,407,977	7,533,048
Increase in net position	298,830	359,502
Net position beginning (deficit) (Restated in 2018)	(6,864,003)	(6,565,173)
Net position ending (deficit)	$ (6,565,173)	$ (6,205,671)

Revenues increased in 2018/2019 over 2017/2018 in General Revenue due to an increase in per pupil funding of $240 per student, however, we had 19 fewer students in 2018/2019. Had our student counts remained at the 2017/2018 numbers revenue would have seen a greater increase. The decrease in student count reduced revenue by approximately $150,000. We did see increases in revenue in categorical revenues such as At-Risk in the amount of about $97,000, however, this has to be spent on At Risk programs and additional expenses were incurred to service our At Risk students. The Charges for Services increased in 2018/2019 compared to 2017/2018 mainly due to an increase in MHSAA tournament revenues. The Hot Lunch program also had an increase in revenue from student lunches, however, the A-La Carte sales in hot lunch did decrease year over year. Gate receipts increased in 2018/2019 compared to 2017/2018 - this was a nice surprise given the very cold winter. Operating and capital grants & contributions increased in 2018/2019 compared to 2017/2018 due to an increase in local grants of approximately $20,000 and an increase of approximately $18,000 in the payments for the UAAL rate stabilization payments. RESD reimbursement for special education decreased by about

$20,000, however, the vocational education reimbursement from the RESD increased by about $14,000. In total the District saw an increase in revenue, but many of the increases we received had to be spent on specific programs.

The 2018/2019 expenses increased from the 2017/2018 at the District wide level by $125,071. The Instruction expenses increased during the current fiscal year by $49,722. The Instruction expense increase was due to an increase in spending of Tribal Grants in the amount of about $50,000. We did realize some savings in salaries and benefits due to senior staff retiring in the elementary. Additional costs were incurred utilizing additional para pros to help with math and reading interventions in the At Risk programs and in the classrooms. The secondary salaries did go down as a result of a leave of absence, however, a long term sub was contracted and used some of those savings. Instructional expense also increased by $10,000 as a result of an increased number of students attending the vocational education program and we had many more students dual enroll which resulted in increased costs of $28,000. We also have our first group of students working their way through the Early Middle College program and this program increased in cost this year by $7,000. We also spent about $30,000 for new textbooks in the middle school, which increased instructional expense. The amount of money spent from grants increased over the previous year in instructional areas, this created additional expenses in the instructional areas. The supporting services expenses increased by approximately $71,500 - this was a result of an increase of a small percentage in just about every function over the 2017/2018 expenditures. The largest line item increase supports services was in the guidance services function, we have hired a counselor to expand our guidance services to our students. We also had some building repairs that resulted in an increase of $22,000 year over year in repairs and maintenance on the building. We did have about $34,000 savings in transportation due to contracting with the ISD to operate our Special Ed bussing. We also had a bus driver retire and we were able to move the Special Ed driver into the retired drivers position, saving the District a full time position. We also purchased two new buses in 2018/2019 and we believe this saved us some maintenance costs on the older buses that we sold. Food service expense had a small increase over 2017/2018, most of which was labor and benefit costs. The kitchen staff were given a raise for the 2018/2019 year and this resulted in an increase in wages and benefit costs. Food costs actually decreased by about 1% year over year.

Revenues

Local revenues are primarily made up of property taxes to fund operating expenses and retire debt of previous bond issues. Local revenues also include grant awards from the Saginaw Chippewa Indian Tribe in the amount of $169,911 which is an increase of $19,298 from 2017/2018. The Tribe was extremely generous to the district this year. Other sources of local revenue include fees and charges for services such as hot lunch, athletic gate receipts, and sports participation fees.

State revenues account for the majority of the District's revenues and consist primarily of the per student foundation allowance. State revenues made up approximately 87% of the District's general fund revenues in 2018/2019. This ties the District directly to the ability and willingness of the State of Michigan to fund Education.

Federal sources include Title grants in the General Fund and revenue for the Food Service Fund. Federal revenues totaled less than $750,000 alleviating the need for a single audit of federal funds.

Interdistrict sources of revenue consist of the County special education tax and the vocational education tax collected and distributed by the local Intermediate School District.

Property Taxes

A major portion of local revenue is provided from property taxes for the General Fund and Debt Retirement Funds. Property tax revenue totaled $911,804. This amount was obtained through a combination of two voter approved millage levies totaling 18 mills on the taxable value of non-homestead properties and 6 mills on the taxable value of commercial personal property for the District's operation and in August 2017 the voters approved a renewal of a 7 mill levy on the taxable value of all properties, homestead and non-homestead, for debt interest and principal payments of bond issues. Tax revenues saw an increase in 2018/2019. We expected this increase as taxable values increased in 2019 with a positive growth percentage. Taxable values determine the amount of local tax income for the operating revenues of the General Fund, and also determine the Debt Retirement Funds revenue generated each year. While the State of Michigan will make up the shortfall in operating revenue in the General Fund, the Debt Retirement Fund is entirely dependent on the 7 mills allocated on taxable values to generate the funds necessary to pay off the districts long term debt.

Fortunately, taxable values have increased for the last few years which is demonstrated in the following table of taxable value history.

Year	Taxable Value	Growth
2009	81,878,623	4.68%
2010	81,673,543	(0.25%)
2011	81,544,258	(0.16%)
2012	82,561,107	1.25%
2013	81,046,450	(1.83%)
2014	82,930,946	2.33%
2015	85,472,686	3.06%
2016	86,666,159	1.40%
2017	89,570,633	3.30%
2018	92,009,563	2.72%
2019	94,437,991	2.64%

State Aid Foundation Allowance

A significant portion of state funding to the District is received through the foundation allowance. The foundation allowance is funding from the state based on student enrollment. Student enrollment is blended at 90% of current year October count and 10% of the prior February count. The blended enrollment of Beal City Public Schools for 2018/2019 was 689.22 FTE, a decrease of 19.47 FTE from the 2017/2018 student enrollment of 708.69, this decrease resulted in decreased state per pupil funding of approximately $153,248 compared to the year prior. The State of Michigan establishes per student foundation allowance on an annual basis. The State did provide an additional $240 per FTE which increased revenues for the district for approximately $165,000 which helped significantly offset the loss of FTE.

Capital Assets and Long-term Debt

Capital Assets

On June 30, 2019 the District had $5,343,271 invested in a broad range of capital assets as illustrated below:

Land	$187,593
Construction in Process	-0-
Buildings and additions	8,052,107
Site improvements	1,874,288
Equipment and furniture	547,505
Buses and other vehicles	724,121
Fiber optic network	390,222
Subtotal	11,775,836
Less accumulated depreciation	6,432,565
Net capital assets	$ 5,343,271

Long-term Debt

At the end of the current fiscal year, the Beal City Public School district had total general obligation bonded debt outstanding of $2,410,000. The general obligation bonded debt outstanding consists of four bond issues. The 2012 refunding issue of the 2002 bond issue for the sports complex, the 2014 refunding issue of the 1996 issue for the addition to the high school, the 2012 bond issue to pay off the school bond loan fund and a bond issue from August 2017 used to replace boilers, purchase buses, replace roofs, and remodel the small gym and purchase moveable bleachers. The bonds sold in 2017 totaled $910,000. The District was approved to sell more bonds in 2021 as the second phase of the project. The Phase II bond sale will be for $4,465,000. The second phase will be used to add six classrooms, purchase more buses and also remodel a variety of rooms in the school.

Other long term debt includes, compensated absences, retirement incentives, a capital lease of copy machine equipment, and a new installment purchase agreement entered into to install LED lights throughout the District. Total outstanding long term debt of the district at the end of the current year is $2,677,020. Both the compensated absences and the retirement incentives are estimates of potential costs. Teachers are eligible for a retirement incentive of $9,000 if they retire from the MPSERS the first year they are eligible to retire or up to $6,000 if the teacher works for three additional years after they become eligible for retirement. The district has estimated the likelihood of a teacher qualifying for this incentive and multiplied the likelihood by the total available benefit of $9,000 or the $6,000 incentive. Compensated absences consist of termination pay, accrued sick time benefits and accrued vacation and personal time. The long term debt is estimated on the premise that all staff will qualify for a payout of leave time when they end their employment with the district.

General Fund Budgetary Highlights

Original vs. Actual Budget

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 July 1, the start of the fiscal year.

The district amended its budget twice during the 2018/2019 school year. For the fiscal year 2018/2019, the budget was amended in April and June of 2019.

General Fund Revenues Budget vs. Actual

Fiscal Year	Original Budget	Final Budget	Final Actual	Variance of final to actual
2018/2019	$6,579,748	$6,908,564	$6,930,536	$21,972

The District's actual General Fund revenues were more than the final budget by $21,972. The difference in revenues from the final budget to actual was mainly due to differences in the estimated carryforward amounts for At Risk Revenues and UAAL reimbursement.

General Fund Expenditures Budget vs. Actual

Fiscal Year	Original Budget	Final Budget	Final Actual	Variance of final to actual
2018/2019	$6,781,499	$6,796,937	$6,687,411	$(109,526)

The District's General Fund expenditures were less than the final expenditure budget by $109,526. Tribal grants received from the Saginaw Chippewa Indian Tribe make up the largest portion of the discrepancy in budgeted to actual expenditures. Tribal Grants are awarded in May and some grants are budgeted to get spent by year end, but sometimes the product does not get delivered by year end. All unspent Tribal grant budget items remaining at the end of the 2018/2019 fiscal year will be carried over to the 2019/2020 budget.

The biggest difference in budget was in Special Education Transportation. Management worked with the ISD and conservatively booked a payable in case the District had to pay back transportation revenue, in the amount of about $57,000. After the final budget was approved, Management was told by the State that the Special Education Transportation revenue would not have to be paid back, because we are reimbursed one year in arrears, as we thought was the case. In 2018/2019, we were being reimbursed for 2017/2018 Special Education expenses. We have notified the State for 2019/2020 that they should not reimburse us for the 2018/2019 Special Education Transportation expenses. The $57,000 was more than half of the final budget variance. The expenditures in most of the function areas were less than the final expenditure budget. Individually they were not significant.

Excess of Expenditures over appropriations

The School District did spend $21,323 more on Vocational Education than budgeted. All other function level expenses were less than budgeted. There were object level expenses in excess of the budgeted amounts, all these amounts were nominal in value.

Economic Factors and Next Year's Budgets and Rates

The minimum foundation allowance for 2019/2020 has been set at $8,111 per student, which is a $240 increase per student. The State has appropriated additional funds to reflect the actuarially estimated costs of the required state share of the MPSERS Unfunded Actuarial Accrued Liability (UAAL) to maintain the UAAL cap at 20.96%. The district will continue to receive the UAAL payment and the district will be required to make monthly payments to the Office of Retirement Services equaling the amount of UAAL revenue received. The State however, has decreased the amount the school will receive for our At Risk students. The school has a plan for how best to meet the needs of our At Risk students and the decrease in funding will definitely be a burden to the general fund. While the foundation allowance has increased, so has the cost of meeting all of the requirements implemented by the State. The At Risk programs have increased in scope and the number of students served, and the District adjusted programming to accommodate the requirements, and now our funding is being cut for that program.

Under the direction of our former State Governor, Mr. Rick Snyder, we have seen a number of education reform laws pass in the past few years. It is easy to get the feeling that educators are being attacked by our legislature. Many of the laws passed in the last few years seem to be more about punishing educators, and educator unions in particular, as they do about improving education in the State of Michigan. We now have a new Governor and her ideas are bold and aggressive. The Governor has proposed large increases to School Funding, however it remains to be seen if these increases will ever come to fruition. Governor Whitmer has embraced the School Finance Research Collaborative's (https://www.fundmischools.org/) findings on how much funding schools need to provide Michigan's students with the most adequate funding to provide the best programming our students need to "achieve and succeed." Governor Whitmer's original budget proposal tried to fund many of the Research Collaborative's findings, however, the legislature did not provide the funding to implement the findings at least for the 2019-2020 fiscal year. There does seem to be a desire to get more resources to schools, how emboldened are our representatives and our Governor to actually get money to the schools? Only time will tell.

Many Beal City students are taking advantage of the ability to take Dual Enrollment courses, or on line courses in subject matter we currently do not offer. While this has been a great opportunity for our students, it has not come without a lot of added cost to the District. We also have our first group of students completing the early middle college program. Between dual enrollment classes, on line classes and early middle college (EMC) classes, the school paid out $120,389 in fiscal year 2018/2019 to cover the cost of these programs, we were reimbursed by the State $1,500 for the dual enrollment classes, and this small reimbursement has been eliminated in the new State budget. We expect the number of students who participate in one of these programs to continue to grow. We also expect to see additional costs to the district for all three of these programs. Starting in the 2019/2020 school year, Mid Michigan Community College has decreased what the District has to pay for our dual enrolled and EMC students per credit hour, but they have increased fees. We will see how this new payment structure effects the long term cost of our dual and EMC program. These programs have added to the budget as we are required to pay for the online education and dual enrollment and EMC programs without the ability to reduce staff so they have only added to the problems of educational finance in our school district.

The State legislator passed a retirement reform bill in 2012 to try to ensure that the Michigan Public School Retirement System will be sustainable for years to come. The reforms affected all current, retired, and future school personnel. Retirees saw a decrease in the amount of insurance premium subsidy they received from the Michigan Public Schools Retirement System. New hires will no longer be offered an insurance premium subsidy upon retirement and all current public school employees in the State of Michigan were required to make choices about the amount they will contribute to their retirement benefits and the amount they will receive upon retirement. In 2017, the State legislature again passed a retirement reform bill, creating yet another pension program to maintain and account for. The new retirement program is more of a 401K type program. The State is still offering a defined benefit retirement program under the new system, however; if the funding falls below 85% for two years in a row the employee and the employer will have an increased contribution to try to get the funding above the 85% of being fully funded. The new program will be for any new hires after February 1, 2018.

The legislature has agreed to limit the unfunded liability amount of the retirement rate to 20.96%. While this should help keep the cost of retirement down, there is the possibility that it will decrease other funding provided to public schools. The legislature only has so much money to work with. If they use dollars to keep the retirement rate down, they will have to make up for that use of dollars somewhere else in the budget. So while the retirement rate may be more stable, other funding may be decreased to make up for it.

Mr. William C. Chilman IV is now starting his thirteenth year as the Superintendent of Beal City Public Schools. Mr. Chilman believes the three most important jobs a Superintendent has are to first and for most, improve student achievement. Secondly, during financially difficult times, maintain the district's fiscal integrity, which is becoming even more challenging with ongoing changes at the state level. Third, but not least of all, promote the school district and provide positive school and community relations throughout the region. These three jobs have become part of our three board goals, the board members and Mr. Chilman are working together as a team.

For most of Mr. Chilman's first twelve years Beal City Public Schools had a very stable administration team. That changed during the 2015/2016 end of the school year and heading into the 2016/2017 year. The district lost their long term business manager and replaced her with a new business manager who had 18 years of experience as a CPA, however, he did not have any school accounting experience. The challenges of learning a new accounting system and new reporting requirements was and is a challenge, but the reports were all filed and some new procedures have been put in place to meet the demands of the business office. The business manager has received certification from the MSBO as a school business CFO during the 2017/2018 school year. The District also lost their elementary principal that same summer and the new principal received his School Administration Certificate during the 2017/2018 school year. During the summer of the 2018/2019 school year the District lost the long term Secondary Principal. The High School Principal was replaced with an individual who has not been a Principal prior to coming to Beal City. However, he has 20 years of teaching experience and is working very hard and learning every day about Beal City and being a Principal. Under the guidance of the new high school principal the District is creating a new middle school in the high school wing and this will create efficiencies in scheduling and academic success. We are excited to see how this new project will help the school in the coming years.

The District closed the alternative education program effective for the 2016/2017 school year. The program was facing decreasing enrollment due to many factors, including online education. As a result of the Alternative Education program closing, the School started a Credit Recovery Program. While this program is in its infancy, it gives Beal kids an opportunity to continue their education at Beal. We saw a large increase in participation in the credit recovery program during only its second year. The District also purchased a new software for the Credit Recovery Program and we have had positive feedback regarding the software.

The District proposed a bond issue to the Beal City community August 8th, 2017. The Community overwhelming supported the bond issue. The District is currently using large amounts of cash flow for large maintenance and repairs and capital improvements. This bond issue will allow the district to reduce the amount of cash flow It has been putting into these capital projects and give the District more flexibility in planning for future capital expenditures and build up the Districts fund balance. The bond issue will be sold over two different sale dates. The first series of bonds will be sold in November 2017 and the second (and largest) series will be sold in 2021 or 2022.

Beal City has two mottos that we live by. One is "Educational Teamwork Today Equals Educational Excellence Tomorrow". Our staff, students, parents and the community work together to create an environment where all parties can achieve excellence. The second motto is "a BIG education in a small school environment". Again, we all work hard each day to balance the financial part of education with the educational opportunities we provide to our students, and we are getting it done with true success. Beal City Public Schools continues to be recognized in the region and around the state as an educational leader academically, artistically, and athletically.

The Beal City Board of Education and the Beal City Education Association (BCEA) settled a three year contract in June of 2019. Teachers will see small % increases each year and steps in all three years of the contract. Administration is currently looking at options to provide the employees with another health insurance option that may or may not save the district money, but could save the employees money. The MESSA Choices II plan exceeds the PA152 cap, but the MESSA ABC plan is just under the allowable cap established by our State legislature. Those who receive dental and vision benefits will be paying 20% of the premium for those insurance benefits also.

District administration has been diligent about learning the details of the Patient Protection and Affordable Care Act. It is not easy to keep up to speed on the provisions of the law and when they take effect. One of those provisions is the "play or pay" rule which states that an employer must offer affordable health care to 95% of our full time staff who work an average of 30 hours per week. Effective January 1, 2016 for employers with 50 or more employees, the "Employer Mandate" penalty started. This penalty can be as high as $3,480 per full-time employee receiving a premium subsidy on the exchange. The district has partnered with SET/SEG insurance providers to track hours for all current staff to ensure that we do not have employees who work over 30 hours per week that do not receive insurance. There is the potential of significant added costs to employee benefits as we have a number of employees not receiving health benefits who work at or over 30 hours per week.

Student count numbers for fall of 2019 have not yet been finalized. As an overall district, we do anticipate a decrease in enrollment from 2018/2019 to 2019/2020 of approximately 10 to 15 students, we did budget for a decrease of 19 students. This decrease in enrollment is going to result in decreased revenues in excess of $90,000 from 2018/2019 to 2019/2020. In 2019/2020 teachers did receive a step increase and a 2% increase on the salary schedule. The districts original budget had a large deficit spend component and included a decrease in students. The original budget did not include any increase in the foundation allowance and with the $240 foundation increase, that should increase revenues from the budgeted revenue by about $150,000 so the budgeted loss for 2019/2020 will most likely decrease from the original budget. The administration is working diligently at finding ways to control costs and yet provide the best education possible. The administration is keenly aware of the ever increasing needs and requirements of educating today's children. There are needs that will need to be addressed in the near future that will add to the District's expenses. Administration is reviewing their options of providing the best possible education with current capital, both human and facility, and what is needed to meet the needs of our students and staff.

The Board of Education is committed to ensuring the financial stability of the school district. There does seem to be an appetite in Lansing to provide more adequate funding of public education, however, we are not convinced Lansing will be able to agree on what needs to be done. The Board feels the need to be very cautious with spending. The uncertainty of State funding is an ongoing problem. The instability and lack of state funding creates a real challenge to Michigan's public schools. While the foundation increases have been helpful, and the school has been able to build some additional fund equity over the last three years, there are still many financial issues that will be a challenge for years to come which will definitely erode the fund equity if school funding is not increased. The School Finance Research Collaborative developed a report giving Michigan the tools needed to determine where proper funding levels might be to educate our students. Michigan's current level of funding education is $8,111 per student to cover all costs. The study determined the base amount to educate a student would start at $9,590 per student. The base amount of $9,590 would need to be increased to include transportation costs, special education, and career and technical education. The study has been done, now we need the legislature to use this tool to find a way to give the school the tools we need to provide an even better education than what we already are providing.

Contacting the District's Financial Management

This financial report is designed to provide a general overview of the finances for the Beal City Public Schools for all those with an interest in the district's finances. Questions concerning any of the information provided in this report or request for additional financial information should be addressed to the Beal City Public Schools Central Office, 3180 W Beal City Road, Mt. Pleasant, MI 48858.

BASIC FINANCIAL STATEMENTS

Beal City Public Schools
Statement of Net Position
June 30, 2019

	Governmental Activities
Assets	
Cash	$ 2,087,420
Accounts receivable	1,130
Due from other governmental units	1,168,037
Inventory	1,616
Prepaid items	44,978
Capital assets not being depreciated	187,593
Capital assets - net of accumulated depreciation	5,155,678
Total assets	8,646,452
Deferred Outflows of Resources	
Deferred amount relating to net pension liability	3,361,209
Deferred amount relating to net OPEB liability	486,775
Deferred amount on debt refunding	44,327
Total deferred outflows of resources	3,892,311
Total assets and deferred outflows of resources	12,538,763

See Accompanying Notes to the Financial Statements

Beal City Public Schools
Statement of Net Position
June 30, 2019

	Governmental Activities
Liabilities	
Accounts payable	$ 54,126
Accrued expenditures	309,076
Accrued salaries payable	335,992
Unearned revenue	48,172
Long-term liabilities	
Debt due within one year	615,747
Debt due in more than one year	2,092,261
Net pension liability	10,485,419
Net OPEB liability	2,728,114
Total liabilities	16,668,907
Deferred Inflows of Resources	
Deferred amount relating to net pension liability	1,369,976
Deferred amount relating to net OPEB liability	705,551
Total deferred inflows of resources	2,075,527
Total liabilities and deferred inflows of resources	18,744,434
Net Position	
Net investment in capital assets	2,936,170
Restricted for	
Debt service	131,987
Grants	174,210
Unrestricted (deficit)	(9,448,038)
Total net position	$ (6,205,671)

See Accompanying Notes to the Financial Statements

Beal City Public Schools
Statement of Activities
For the Year Ended June 30, 2019

	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Position
Functions/Programs					
Governmental activities					
Instruction	$ 4,617,335	$ 1,875	$ 1,441,841	$ -	$ (3,173,619)
Supporting services	2,518,481	95,035	816	44,012	(2,378,618)
Food services	296,641	130,011	138,360	-	(28,270)
Community services	5,096	-	-	-	(5,096)
Interest on long-term debt	95,495	-	-	-	(95,495)
Total governmental activities	$ 7,533,048	$ 226,921	$ 1,581,017	$ 44,012	(5,681,098)
General revenues					
Property taxes, levied for general purposes					269,400
Property taxes, levied for debt service					642,404
State aid - unrestricted					5,090,926
Interest and investment earnings					14,354
Gain on sale of capital assets					15,143
Other					8,373
Total general revenues					6,040,600
Change in net position					359,502
Net position - beginning					(6,565,173)
Net position - ending					$ (6,205,671)

See Accompanying Notes to the Financial Statements

Beal City Public Schools
Governmental Funds
Balance Sheet
June 30, 2019

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
Assets			
Cash	$ 1,621,957	$ 465,463	$ 2,087,420
Accounts receivable	1,130	-	1,130
Due from other funds	11,995	-	11,995
Due from other governmental units	1,165,802	2,235	1,168,037
Inventory	-	1,616	1,616
Prepaid items	33,145	11,833	44,978
Total assets	$ 2,834,029	$ 481,147	$ 3,315,176
Liabilities			
Accounts payable	$ 54,126	$ -	$ 54,126
Due to other funds	-	11,995	11,995
Accrued expenditures	303,415	-	303,415
Accrued salaries payable	335,992	-	335,992
Unearned revenue	42,501	5,671	48,172
Total liabilities	736,034	17,666	753,700

Beal City Public Schools
Governmental Funds
Balance Sheet
June 30, 2019

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
Fund Balance			
Non-spendable			
Inventory	$ -	$ 1,616	$ 1,616
Prepaid items	33,145	11,833	44,978
Restricted for			
Food service	-	62,816	62,816
Debt service	-	137,648	137,648
Capital projects	-	28,596	28,596
Grants	174,210	-	174,210
Assigned			
Future fiscal year budget	455,318	-	455,318
Capital projects	-	220,972	220,972
Unassigned	1,435,322	-	1,435,322
Total fund balance	2,097,995	463,481	2,561,476
Total liabilities and fund balance	$ 2,834,029	$ 481,147	$ 3,315,176

See Accompanying Notes to the Financial Statements

Beal City Public Schools
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position of Governmental Activities
June 30, 2019

Total fund balances for governmental funds	$ 2,561,476
Total net position for governmental activities in the statement of net position is different because	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	
Capital assets not being depreciated	187,593
Capital assets - net of accumulated depreciation	5,155,678
Deferred outflows (inflows) of resources	
Deferred outflows of resources resulting from net pension liability	3,361,209
Deferred outflows of resources resulting from net OPEB liability	486,775
Deferred outflows of resources from debt refunding	44,327
Deferred inflows of resources resulting from net pension liability	(1,369,976)
Deferred inflows of resources resulting from net OPEB liability	(705,551)
Certain liabilities are not due and payable in the current period and are not reported in the funds.	
Accrued interest	(5,661)
Retirement incentive payable	(79,567)
Long-term liabilities applicable to governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities.	
Compensated absences	(145,813)
Bonds payable	(2,427,202)
Other loans payable and liabilities	(55,426)
Net pension liability	(10,485,419)
Net OPEB liability	(2,728,114)
Net position of governmental activities	$ (6,205,671)

See Accompanying Notes to the Financial Statements

Beal City Public Schools
Governmental Funds
Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended June 30, 2019

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
Revenues			
Local sources	$ 582,902	$ 823,779	$ 1,406,681
State sources	5,968,692	26,742	5,995,434
Federal sources	87,929	125,881	213,810
Interdistrict sources	261,482	-	261,482
Total revenues	6,901,005	976,402	7,877,407
Expenditures			
Current			
Education			
Instruction	4,185,681	-	4,185,681
Supporting services	2,230,550	8,778	2,239,328
Food services	-	285,713	285,713
Community services	5,096	-	5,096
Capital outlay	103,297	731,890	835,187
Debt service			
Principal	11,424	604,012	615,436
Interest and other expenditures	1,363	82,517	83,880
Total expenditures	6,537,411	1,712,910	8,250,321
Excess (deficiency) of revenues over expenditures	363,594	(736,508)	(372,914)

See Accompanying Notes to the Financial Statements

Beal City Public Schools
Governmental Funds
Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended June 30, 2019

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
Other Financing Sources (Uses)			
Proceeds from installment purchase	$ -	$ 75,000	$ 75,000
Proceeds from sale of capital assets	15,143	-	15,143
Transfers in	14,388	150,000	164,388
Transfers out	(150,000)	(14,388)	(164,388)
Total other financing sources (uses)	(120,469)	210,612	90,143
Net change in fund balance	243,125	(525,896)	(282,771)
Fund balance - beginning	1,854,870	989,377	2,844,247
Fund balance - ending	$ 2,097,995	$ 463,481	$ 2,561,476

Beal City Public Schools
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2019

Net change in fund balances - Total governmental funds	$	(282,771)
Total change in net position reported for governmental activities in the statement of activities is different because		
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.		
Depreciation expense		(390,865)
Capital outlay		709,338
Loss on sale of capital assets (net book value)		(4,131)
Expenses are recorded when incurred in the statement of activities.		
Interest		1,216
Retirement incentive payable		(10,749)
Compensated absences		11,154
The statement of net position reports the net pension liability and deferred outflows of resources and deferred inflows related to the net pension liability and pension expense. However, the amount recorded on the governmental funds equals actual pension contributions.		
Net change in net pension liability		(1,266,059)
Net change in the deferral of resources related to the net pension liability		947,193
The statement of net position reports the net OPEB liability and deferred outflows of resources and deferred inflows related to the net OPEB liability and OPEB expense. However, the amount recorded on the governmental funds equals actual OPEB contributions.		
Net change in net OPEB liability		420,003
Net change in the deferral of resources related to the net OPEB liability		(302,432)
Bond and note proceeds and capital leases are reported as financing sources in the governmental funds and thus contribute to the change in fund balance. In the statement of net position, however, issuing debt increases long-term liabilities and does not affect the statement of activities. Similarly, repayment of principal is an expenditure in the governmental funds but reduces the liability in the statement of net position. Also, governmental funds report the effect of premiums, discounts and similar items when debt is first issued, whereas these amounts are recorded as liabilities and amortized in the statement of activities. When debt refunding occurs, the difference in the carrying value of the refunding debt and the amount applied to the new debt is reported the same as regular debt proceeds or repayments, as a financing source or expenditure in the governmental funds. However, in the statement of net position, debt refunding may result in deferred inflows of resources or deferred outflows of resources, which are then amortized in the statement of activities.		
Debt issued		(75,000)
Repayments of long-term debt		615,436
Amortization of premiums		2,150
Amortization of deferred amount on refunding		(14,981)
Change in net position of governmental activities	$	359,502

See Accompanying Notes to the Financial Statements

Beal City Public Schools
Fiduciary Funds
Statement of Assets and Liabilities
June 30, 2019

	Agency Fund
Assets	
Cash	$ 150,476
Liabilities	
Due to student groups	$ 150,476

See Accompanying Notes to the Financial Statements

Note 1 - Summary of Significant Accounting Policies

The accounting policies of the Beal City Public Schools (School District) conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The following is a summary of the School District's significant accounting policies:

Reporting Entity

The School District is governed by an elected seven-member Board of Education. The accompanying financial statements have been prepared in accordance with criteria established by the Governmental Accounting Standards Board for determining the various governmental organizations to be included in the reporting entity. These criteria include significant operational financial relationships that determine which of the governmental organizations are a part of the School District's reporting entity, and which organizations are legally separate component units of the School District. The School District has no component units.

District-wide Financial Statements

The School District's basic financial statements include both district-wide (reporting for the district as a whole) and fund financial statements (reporting the School District's major funds). The district–wide financial statements categorize all nonfiduciary activities as either governmental or business type. All of the School District's activities are classified as governmental activities.

The statement of net position presents governmental activities on a consolidated basis, using the economic resources measurement focus and accrual basis of accounting. This method recognizes all long-term assets and receivables as well as long-term debt and obligations. The School District's net position is reported in three parts (1) net investment in capital assets, (2) restricted net position, and (3) unrestricted net position.

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

The net costs (by function) are normally covered by general revenue (property taxes, state sources and federal sources, interest income, etc.). In creating the district-wide financial statements the School District has eliminated interfund transactions.

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

Fund Financial Statements

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the School District 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.

Property taxes, unrestricted state aid, intergovernmental grants, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenue of the current fiscal period. All other revenue items are considered to be available only when cash is received by the government. The School District has considered the impact of GASB Statement No. 77, *Tax Abatement Disclosures* and determined that there are no abatements that reduce property tax revenues.

The School District reports the following major governmental funds:

General Fund – The General Fund is used to record the general operations of the School District pertaining to education and those operations not required to be provided for in other funds.

Additionally, the School District reports the following fund types:

Special Revenue Funds – Special Revenue Funds are used to account for the proceeds of specific revenue sources that are restricted to expenditures for specified purposes. The School District's Special Revenue Fund includes the Food Service Fund. The annual operating deficit generated by these activities is generally transferred from the General Fund.

Capital Projects Funds – The Public Improvement Fund is used to account for financial resources to be used for construction or major renovation of facilities and is funded by General Fund transfers and interest earnings. The 2017 Bond Capital Projects Fund is used to account for financial resources to be used for construction or major renovation of facilities in accordance with the 2017 bond issuance.

Debt Service Funds – Debt Service Funds are used to record tax, interest, and other revenue and the payment of interest, principal, and other expenditures on long-term debt.

Fiduciary Funds – Fiduciary Funds are used to account for assets held by the School District in a trustee capacity or as an agent. The Agency Fund is custodial in nature (assets equal liabilities) and does not involve the measurement of results of operations. This fund is used to record the transactions of student groups for school and school-related purposes.

Assets, Liabilities and Net Position or Equity

Receivables and Payables – Generally, outstanding amounts owed between funds are classified as "due from/to other funds". These amounts are caused by transferring revenues and expenses between funds to get them into the proper reporting fund. These balances are paid back as cash flow permits.

All trade and property tax receivables are shown net of an allowance for uncollectible amounts. The School District considers all accounts receivable to be fully collectible; accordingly, no allowance for uncollectible amounts is recorded.

Property taxes collected are based upon the approved tax rate for the year of levy. For the fiscal year ended June 30, 2019, the rates are as follows per $1,000 of assessed value.

General Fund	
Non-principal residence exemption	18.00000
Commercial personal property	6.00000
Debt Service Funds	7.00000

School property taxes are assessed and collected in accordance with enabling state legislation by cities and townships within the School District's boundaries. Approximately 98% of the School District's tax roll lies within the Townships of Nottawa, Isabella and Deerfield.

The property tax levy runs from July 1 to June 30. Property taxes become a lien on the first day of the levy year and are due on or before July 31. Collections are forwarded to the School District as collected by the assessing municipalities. Real property taxes uncollected as of March 1 are purchased by the County of Isabella and remitted to the School District by May 15.

Inventories and Prepaid Items – Inventories are valued at cost, on a first-in, first-out basis. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased. Certain payments to vendors reflect costs applicable to future fiscal years. For such payments in governmental funds the School District follows the consumption method, and they therefore are capitalized as prepaid items in both district-wide and fund financial statements.

Capital Assets – Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at their acquisition value at the date of donation. The School District defines capital assets as assets with an initial individual cost in excess of $5,000. Costs of normal repair and maintenance that do not add to the value or materially extend asset lives are not capitalized. The School District does not have infrastructure assets. Buildings, equipment, and vehicles are depreciated using the straight-line method over the following useful lives:

Buildings and additions	15-50 years
Site improvements	10-20 years
Equipment and furniture	5-25 years
Fiber optic network	20 years
Buses and other vehicles	6-8 years

Deferred Outflows of Resources – A deferred outflow of resources is a consumption of net position by the government that is applicable to a future reporting period. For district-wide financial statements, the School District reports deferred outflows of resources as a result of pension and OPEB earnings. This amount is the result of a difference between what the plan expected to earn from plan investments and what is actually earned. This amount will be amortized over the next four years and included in pension and OPEB expense. Changes in assumptions and experience differences relating to the net pension and OPEB liabilities are deferred and amortized over the expected remaining service lives of the employees and retirees in the plan. The School District also reported deferred outflows of resources for pension and OPEB contributions made after the measurement date. This amount will reduce the net pension and OPEB liabilities in the following year.

Deferred amounts on bond refundings are included in the district-wide financials statements. The amounts represent the difference between the reacquisition price and the net carrying amount of the prior debt.

Compensated Absences – Retiring staff are paid four (4) percent of the staff members current annual salary, provided the staff member has been employed by the school district for at least ten (10) years for teachers and support staff. This liability is measured using the termination method.

Staff members may accumulate a maximum of one hundred eighty (180) unused sick days. Upon retirement or termination of employment, unused sick days are paid at 50% of the teachers' sub rate times the number of unused days up to a maximum of 100 days. Ten (10) years of service as an employee of the Beal City Public Schools is necessary in order to qualify. There is no provision for payment of unused personal days for teaching staff.

For all non teaching staff accumulated personal time and vacation time will be paid out upon leaving the district if the employee notifies the district of their intent to leave the district two weeks prior to their last day worked. Personal and vacation time will be paid out at the individual's hourly or daily rate.

Long-term Obligations – In the district-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. In the fund financial statements, governmental fund types recognize bond premiums and discounts during the current period.

In the School District's fund financial statements, the face amount of the debt issued is reported as other financing sources. Premiums received on debt issuance are reported as other financing sources while discounts are reported as other financing uses.

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

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

Deferred inflows of resources – A deferred inflow of resources is an acquisition of net position by the government that is applicable to a future reporting period. For governmental funds this includes unavailable revenue in connection with receivables for revenues that are not considered available to liquidate liabilities of the current period. There were no current year deferred inflows of resources. For district-wide financial statements, the School District reports deferred inflows of resources as a result of pension and OPEB earnings. This amount is the result of a difference between what the plan expected to earn from the plan investments and what the plan actually earned. This amount will be amortized over the next four years and included in pension and OPEB expense. Changes in assumptions and experience differences relating to the net pension and OPEB liabilities are deferred and amortized over the expected remaining service lives of the employees and retirees in the plans. Deferred inflows of resources also includes revenue received relating to the amounts included in the deferred outflows for payments related to MPSERS Unfunded Actuarial Accrued Liabilities (UAAL) Stabilization defined benefit pension statutorily required contributions.

Fund Equity – In the fund financial statements, governmental funds report fund balance in the following categories:

Non-spendable – amounts that are not available in a spendable form.

Restricted – amounts that are legally imposed or otherwise required by external parties to be used for a specific purpose.

Committed – amounts that have been formally set aside by the Board of Education for specific purposes. A fund balance commitment may be established, modified, or rescinded by a resolution of the Board of Education.

Assigned – amounts intended to be used for specific purposes, as determined by the Board of Education. Residual amounts in governmental funds other than the General Fund are automatically assigned by their nature.

Unassigned – all other resources; the remaining fund balances after non-spendable, restrictions, commitments and assignments.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the School District's policy is to consider restricted funds spent first.

When an expenditure is incurred for purposes for which committed, assigned, or unassigned amounts could be used, the School District's policy is to consider the funds to be spent in the following order: (1) committed, (2) assigned, (3) unassigned.

Use of Estimates
The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities, as well as deferred inflows and deferred outflows of resources at the date of the financial statements and the reported amounts of revenue and expenditures during the reporting period. Actual results could differ from those estimates.

Eliminations and Reclassifications
In the process of aggregating data for the statement of net position and the statement of activities, some amounts reported as interfund activity and balances in the funds were eliminated or reclassified. Interfund receivables and payables were eliminated to minimize the "grossing up" effect on assets and liabilities within the governmental activities column.

Adoption of New Accounting Standards
Statement No. 83, *Certain Asset Retirement Obligations* establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset.

Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements* improves the information that is disclosed in notes to the District's financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities districts should include when disclosing information related to debt. It requires that additional essential information related to debt be disclosed in notes to financial statements, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses. It will also require that existing and additional information be provided for direct borrowings and direct placements of debt separately from other debt.

Upcoming Accounting and Reporting Changes
Statement No. 84, *Fiduciary Activities* improves the guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. The focus of the criteria includes the following: (1) is the government controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. The four fiduciary funds that should be reported, if applicable are: (1) pension (and other employee benefit) trust funds, (2) investment trust funds, (3) private-purpose trust funds, and (4) custodial funds. Custodial funds generally will report fiduciary activities that are not held in a trust or similar arrangement that meets specific criteria. The requirements of this Statement are effective for the fiscal year ending June 30, 2020.

Statement No. 87, *Leases* increases the usefulness of the District's financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. A lessee will be required to recognize a lease liability and an intangible right-to-use a lease asset, and a lessor will be required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about the District's leasing activities. The requirements of this Statement are effective for the fiscal year ending June 30, 2021.

Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period* enhances the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and to simplify accounting for interest cost incurred before the end of a construction period. It requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reporting in a business-type activity or enterprise fund. Interest cost incurred before the end of a construction period should be recognized as an expenditure for financial statements prepared using the current financial resources measurement. The requirements of this Statement are effective for the fiscal year ending June 30, 2021.

Statement No. 90, *Majority Equity Interests* improves the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and improves the relevance of financial statement information for certain components. This statement is effective for the year ending June 30, 2020.

Statement No. 91, *Conduit Debt Obligations* provides a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures. This statement is effective for the year ending June 30, 2022.

The School District is evaluating the impact that the above GASBs will have on its financial reporting.

Note 2 - Stewardship, Compliance, and Accountability

Budgetary Information

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America and state law for the General and Special Revenue Funds. All annual appropriations lapse at fiscal year end, thereby canceling all encumbrances. These appropriations are reestablished at the beginning of the year.

The budget document presents information by fund and function. The legal level of budgetary control adopted by the governing body is the function level. State law requires the School District to have its budget in place by July 1. A district is not considered in violation of the law if reasonable procedures are in use by the School District to detect violations.

The Superintendent is authorized to transfer budgeted amounts between functions within any fund; however, any revisions that alter the total expenditures of any fund must be approved by the Board of Education.

Budgeted amounts are as originally adopted or as amended by the Board of Education throughout the year. Individual amendments were not material in relation to the original appropriations.

Excess of Expenditures over Appropriations
During the year, the School District incurred expenditures in certain budgetary funds which were in excess of the amounts appropriated, as follows:

Function	Final Budget	Amount of Expenditures	Budget Variances
General Fund			
Instruction			
Added needs	$ 952,879	$ 968,436	$ 15,557

Note 3 - Deposits

The School District's deposits were reported in the basic financial statements in the following categories:

	Governmental Activities	Fiduciary Funds	Total Primary Government
Cash	$ 2,087,420	$ 150,476	$ 2,237,896

The breakdown between deposits and investments for the School District is as follows:

Deposits (checking, savings accounts, money markets, certificates of deposit)	$ 2,237,896

Credit risk – State statutes and the School District's investment policy authorize the School District to make deposits in the accounts of federally insured banks, credit unions, and savings and loan associations that have an office in Michigan; the School District is allowed to invest in U.S. Treasury or Agency obligations, U.S. government repurchase agreements, bankers' acceptances, commercial paper rated prime at the time of purchase that matures not more than 270 days after the date of purchase, mutual funds, and investment pools that are composed of authorized investment vehicles.

Concentration of credit risk – The School District has no policy that would limit the amount that may be invested with any one issuer.

Custodial credit risk – deposits – In the case of deposits, this is the risk that in the event of a bank failure, the School District's deposits may not be returned to it. The School District does not have a deposit policy for custodial credit risk. As of year-end, the School District's bank balance was $2,311,544. Of the bank balance, $2,061,544 was exposed to custodial credit risk because it was uninsured and uncollateralized.

Note 4 - Capital Assets

A summary of the changes in governmental capital assets is as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities				
Capital assets not being depreciated				
Land	$ 187,593	$ -	$ -	$ 187,593
Construction-in-progress	45,183	-	45,183	-
Total capital assets not being depreciated	232,776	-	45,183	187,593
Capital assets being depreciated				
Buildings and additions	7,706,898	345,209	-	8,052,107
Site improvements	1,763,938	110,350	-	1,874,288
Equipment and furniture	425,654	136,754	14,903	547,505
Fiber optic network	390,222	-	-	390,222
Buses and other vehicles	679,338	162,208	117,425	724,121
Total capital assets being depreciated	10,966,050	754,521	132,328	11,588,243
Less accumulated depreciation for				
Buildings and additions	3,782,119	184,935	-	3,967,054
Site improvements	1,314,232	93,596	-	1,407,828
Equipment and furniture	200,044	51,971	13,334	238,681
Fiber optic network	390,222	-	-	390,222
Buses and other vehicles	483,280	60,363	114,863	428,780
Total accumulated depreciation	6,169,897	390,865	128,197	6,432,565
Net capital assets being depreciated	4,796,153	363,656	4,131	5,155,678
Net capital assets	$ 5,028,929	$ 363,656	$ 49,314	$ 5,343,271

Depreciation expense was charged to activities of the School District as follows:

Governmental activities	
Instruction	$ 249,747
Support services	136,229
Food services	4,889
Total governmental activities	$ 390,865

Note 5 - Interfund Receivable and Payable and Transfers

Individual interfund receivable and payable balances at year end were:

Receivable Fund	Payable Fund	Amount
General Fund	Nonmajor Governmental Funds	$ 11,995

The outstanding balances between funds result mainly from the time lag between the dates that transactions are recorded in the accounting system and payments between funds are made.

Management does not anticipate individual interfund balances to remain outstanding for periods in excess of one year.

Interfund transfers consist of the following:

	Transfers Out		
	General Fund	Nonmajor Governmental Funds	Total
Transfers in			
General Fund	$ -	$ 14,388	$ 14,388
Nonmajor Governmental Funds	150,000	-	150,000
	$ 150,000	$ 14,388	$ 164,388

The transfer from the Food Service Fund to the General Fund was to reimburse the General Fund for indirect costs. The transfer from the General Fund to the Public Improvement Fund was made to cover the costs of School District improvements.

Note 6 - Unearned Revenue

Governmental funds report unearned revenue in connection with resources that have been received but not yet earned. At the end of the current fiscal year, the components of unearned revenue are as follows:

Student deposits	$	5,671
Technology grant		42,501
Total	$	48,172

Note 7 - Leases

Capital Lease

The School District has a capital lease for copy machines. The future minimum lease payments are as follows:

Year ending June 30,		
2020	$	12,787
2021		12,787
Total minimum lease payments		25,574
Less amount representing interest		(1,136)
Present value of minimum lease payments	$	24,438

The assets acquired through capital leases are as follows:

Assets		
Equipment and furniture	$	48,289
Less accumulated depreciation		(29,778)
Total	$	18,511

Note 8 - Long-Term Debt

The School District issues bonds, notes, and other contractual commitments to provide for the acquisition and construction of major capital facilities and the acquisition of certain equipment. General obligation bonds are direct obligations and pledge the full faith and credit of the School District. The State can withhold state aid if it has to make a bond payment on behalf of the School District related to qualified bonds. Other long-term obligations include compensated absences, capital leases, and retirement incentives.

Long-term obligation activity is summarized as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Amount Due Within One Year
Bonds and notes payable					
General obligation bonds	$ 2,970,000	$ -	$ 560,000	$ 2,410,000	$ 576,000
Premium on bonds	19,352	-	2,150	17,202	-
Total bonds payable	2,989,352	-	562,150	2,427,202	576,000
Notes from direct borrowings and direct placements					
Installment purchase agreement	-	75,000	44,012	30,988	16,667
Other liabilities					
Capital lease	35,862	-	11,424	24,438	11,926
Compensated absences	156,967	-	11,154	145,813	11,154
Retirement incentives	68,818	16,749	6,000	79,567	-
Total other liabilities	261,647	16,749	28,578	249,818	23,080
Total	$ 3,250,999	$ 91,749	$ 634,740	$ 2,708,008	$ 615,747

For governmental activities, compensated absences and retirement incentives are primarily liquidated by the General Fund.

General obligation bonds payable at year end consist of the following:

$1,157,000 serial bond due in annual installments of $71,000 to $81,000 through May 1, 2027, interest at 3.45%.	$ 611,000
$1,009,000 serial bond due in annual installments of $129,000 to $240,000 through May 1, 2021, interest at 3.75% to 3.95%.	369,000
$2,110,000 serial bond due in annual installments of $240,000 to $380,000 through May 1, 2021, interest at 2.35% to 2.60%.	620,000
$910,000 serial bond due in annual installments of $15,000 to $135,000 through May 1, 2027, interest at 1.30% to 2.60%.	810,000
Total general obligation bonded debt	$ 2,410,000

Future principal and interest requirements are as follows:

	Bonds		Notes from Direct Borrowings and Direct Placements	
	Principal	Interest	Principal	Interest
Year Ending June 30,				
2020	$ 576,000	$ 67,925	$ 16,667	$ -
2021	604,000	50,296	14,321	-
2022	214,000	32,350	-	-
2023	212,000	27,195	-	-
2024	206,000	21,973	-	-
2025-2027	598,000	33,594	-	-
Total	$ 2,410,000	$ 233,333	$ 30,988	$ -

The general obligation bonds are payable from the Debt Service Funds. As of year end, the funds had a balance of $137,648 to pay this debt. Future debt and interest will be payable from future tax levies.

Compensated Absences

Accrued compensated absences at year end consist of $65,499 of termination pay, $64,740 in accrued sick time benefits, and $15,574 of vacation and personal time benefits.

Retirement Incentive

In the event a teacher retires from the district, as soon as he/she is eligible for full benefits under the Michigan Public Schools Retirement System or at the end of the school year during which he/she becomes eligible for full benefits, the teacher shall be paid $3,000 per year on January 1 following his/her retirement for three consecutive years. The School District has estimated the likelihood of a teacher qualifying for this incentive and multiplied the likelihood by the total available benefit of $9,000. The School District has recorded a long term liability of $79,567 at year end.

Deferred Amount on Refunding

The School District issued bonds in 2012 to advance refund and retire previously issued bonds. The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of $34,253. This amount, less accumulated amortization, is reported in the accompanying statement of net position as a deferred outflow of resources and is being charged to activities through fiscal year 2027.

The School District issued bonds in 2012 to advance refund and retire the school bond loan fund debt. The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of $39,608. This amount, less accumulated amortization, is reported in the accompanying statement of net position as a deferred outflow of resources and is being charged to activities through fiscal year 2021.

The School District issued bonds in 2014 to advance refund and retire previously issued bonds. The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of $40,000. This amount, less accumulated amortization, is reported in the accompanying statement of net position as a deferred outflow of resources and is being charged to activities through fiscal year 2021.

The following summarizes the activity of the deferred amount on refunding:

	Beginning Balance	Additions	Reductions	Ending Balance
2012 Refunding Bonds	$ 20,368	$ -	$ 2,280	$ 18,088
2012 Refunding Bonds, Series B	22,257	-	7,772	14,485
2014 Refunding Bonds	16,683	-	4,929	11,754
Total	$ 59,308	$ -	$ 14,981	$ 44,327

Note 9 - Risk Management

The School District participates in a public entity risk pool through the School Employers Group. With the exception of unemployment described below, this program provides substantially all the insurance needs of the School District. The possibility of additional liabilities in excess of current year contributions exists, however, since the amounts are indeterminable and believed to be immaterial, no contingent liabilities or assets have been recognized on the School District's financial statements.

The School District is subject to the Michigan Employment Security Act and has elected to pay unemployment claims on a direct self-insured basis. Under this method, the School District must reimburse the Employment Commission for all benefits charged against the School District. The School District had no unemployment compensation expense for the year. No provision has been made for possible future claims.

Note 10 - Pension Plan

Plan Description

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

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

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

The System's financial statements are available on the ORS website at www.michigan.gov/orsschools.

Benefits Provided

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

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

Contributions

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

Employer contributions to the System are determined on an actuarial basis using the entry age normal actuarial cost method. Under this method, the actuarial present value of the projected benefits of each individual included in the actuarial valuation is allocated on a level basis over the service of the individual between entry age and assumed exit age. The portion of this cost allocated to the current valuation year is called the normal cost. The remainder is called the actuarial accrued liability. Normal cost is funded on a current basis. The unfunded (overfunded) actuarial accrued liability as of the September 30, 2017 valuation will be amortized over a 20-year period for the 2017 fiscal year.

The schedule below summarizes pension contribution rates in effect for fiscal year ended September 30, 2018.

Pension Contribution Rates

Benefit Structure	Member	Employer
Basic	0.0 - 4.0%	17.89%
Member Investment Plan	3.0 - 7.0	17.89%
Pension Plus	3.0 - 6.4	16.61%
Pension Plus 2	6.2	19.74%
Defined Contribution	0.0	13.54%

Required contributions to the pension plan from the School District were $949,777 for the year ending September 30, 2018.

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

At June 30, 2019, the School District reported a liability of $10,485,419 for its proportionate share of the MPSERS net pension liability. The net pension liability was measured as of September 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation rolled forward from September 2017. The School District's proportion of the net pension liability was determined by dividing each employer's statutorily required pension contributions to the system during the measurement period by the percent of pension contributions required from all applicable employers during the measurement period. At September 30, 2018, the School District's proportion was 0.0349 percent, which was a decrease of 0.0007 percent from its proportion measured as of September 30, 2017. At September 30, 2018, the total pension expense for the School District was $1,278,074. For the year ending June 30, 2019, the School District recognized pension expense of $905,341.

At June 30, 2019, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources	Total to Amortize
Difference between expected and actual experience	$ 48,654	$ (76,196)	$ (27,542)
Changes of assumptions	2,428,414	-	2,428,414
Net difference between projected and actual earnings on pension plan investments	-	(716,936)	(716,936)
Changes in proportion and differences between the School District contributions and proportionate share of contributions	54,772	(198,216)	(143,444)
Total to be recognized in future	2,531,840	(991,348)	1,540,492
School District contributions subsequent to the measurement date	829,369	(378,628)	-
Total	$ 3,361,209	$ (1,369,976)	$ 1,540,492

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

Deferred (Inflow) and Deferred Outflow of Resources by Year
(To Be Recognized in Future Pension Expenses)

Plan Year Ending September 30,	Amount
2019	$ 651,497
2020	466,744
2021	300,937
2022	121,314
	$ 1,540,492

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

Additional information as of the latest actuarial valuation follows:

Summary of Actuarial Assumptions:

- Valuation Date: September 30, 2017
- Actuarial Cost Method: Entry Age, Normal
- Wage inflation rate: 2.75%
- Investment Rate of Return:
  - MIP and Basic Plans: 7.05%
  - Pension Plus Plan: 7.00%
  - Pension Plus 2 Plan: 6.00%
- Projected Salary Increases: 2.75 – 11.55%, including wage inflation at 2.75%
- Cost-of-Living Pension Adjustments: 3% Annual Non-Compounded for MIP Members
- Mortality:
  - Retirees: RP-2014 Male and Female Healthy Annuitant Mortality Tables, scaled by 82% for males and 78% for females and adjusted for mortality improvements using projection scale MP-2017 from 2006.
  - Active Members: Male and Female Employee Annuitant Mortality Tables, scaled 100% and adjusted for mortality improvements using projection scale MP-2017 from 2006.

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

Recognition period for liabilities is the average of the expected remaining service lives of all employees in years: 4.5304

Recognition period for assets in years is 5.0000

Full actuarial assumptions are available in the 2018 MPSERS Comprehensive Annual Financial Report found on the ORS website at www.michigan.gov/orsschools.

Long-Term Expected Return on Plan Assets
The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate

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

Asset Class	Target Allocation	Long Term Expected Real Rate of Return*
Domestic Equity Pools	28.00%	5.7%
Alternative Investment Pools	18.00%	9.2%
International Equity	16.00%	7.2%
Fixed Income Pools	10.50%	5.0%
Real Estate and Infrastructure Pools	10.00%	3.9%
Absolute Return Pools	15.50%	5.2%
Short Term Investment Pools	2.00%	0.0%
	100.00%	

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

Rate of Return

For the fiscal year ended September 30, 2018, the annual money-weighted rate of return on pension plan investment, net of pension plan investment expense, was 11.11%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Discount Rate

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

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

The following presents the School District's proportionate share of the net pension liability calculated using the discount rate of 7.05% (7.0% for the Hybrid Plan), as well as what the School District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage higher:

1% Decrease*	Current Single Discount Rate Assumption*	1% Increase*
6.05% / 6.0% / 5.0%	7.05% / 7.0% / 6.0%	8.05% / 8.0% / 7.0%
$ 13,766,546	$ 10,485,419	$ 7,759,337

*Discount rates listed in the following order: Basic and Member Investment Plan (MIP), Pension Plus, and Pension Plus 2.

Michigan Public School Employees' Retirement System (MPSERS) Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued MPSERS CAFR, available on the ORS website at www.michigan.gov/orsschools.

Payables to the Michigan Public School Employees' Retirement System (MPSERS)
There were no significant payables to the pension plan that are not ordinary accruals to the School District.

Note 11 - Postemployment Benefits Other Than Pensions (OPEB)

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

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

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

The System's financial statements are available on the ORS website at www.michigan.gov/orsschools.

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

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

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

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

Employer OPEB contributions to the System are determined on an actuarial basis using the entry age normal actuarial cost method. Under this method, the actuarial present value of the projected benefits of each individual included in the actuarial valuation is allocated on a level basis over the service of the individual between entry age and assumed exit age. The portion of this cost allocated to the current valuation year is called the normal cost. The remainder is called the actuarial accrued liability. Normal cost is funded on a current basis. The unfunded (overfunded) actuarial accrued liability as of the September 30, 2017 valuation will be amortized over a 20-year period for the 2017 fiscal year.

The schedule below summarizes OPEB contribution rates in effect for fiscal year 2018.

OPEB Contribution Rates

Benefit Structure	Member	Employer
Premium Subsidy	3.0%	6.44%
Personal Healthcare Fund (PHF)	0.0%	6.13%

Required contributions to the OPEB plan from the School District were $222,773 for the year ended September 30, 2018.

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB
At June 30, 2019, the School District reported a liability of $2,728,114 for its proportionate share of the MPSERS net OPEB liability. The net OPEB liability was measured as of September 30, 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation rolled forward from September 2017. The School District’s proportion of the net OPEB liability was determined by dividing each employer’s statutorily required OPEB contributions to the system during the measurement period by the percent of OPEB contributions required from all applicable employers during the measurement period. At September 30, 2018, the School District’s proportion was 0.0343 percent, which was a decrease of 0.0012 percent from its proportion measured as of September 30, 2017. At September 30, 2018, the total OPEB expense for the School District was $112,995. For the year ending June 30, 2019, the School District recognized total OPEB expense of $230,754.

At June 30, 2019, the School District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources	Total to Amortize
Difference between expected and actual experience	$ -	$ (507,772)	$ (507,772)
Changes of assumptions	288,909	-	288,909
Net difference between projected and actual earnings on OPEB plan investments	-	(104,848)	(104,848)
Changes in proportion and differences between the School District contributions and proportionate share of contributions	63	(92,931)	(92,868)
Total to be recognized in future	288,972	(705,551)	(416,579)
School District contributions subsequent to the measurement date	197,803	-	-
Total	$ 486,775	$ (705,551)	$ (416,579)

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

Deferred (Inflow) and Deferred Outflow of Resources by Year
(To Be Recognized in Future OPEB Expenses)

Plan Year Ending September 30,	Amount
2019	$ (100,119)
2020	(100,119)
2021	(100,119)
2022	(78,730)
2023	(37,492)
	$ (416,579)

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

Additional information as of the latest actuarial valuation follows:

Summary of Actuarial Assumptions:

- Valuation Date: September 30, 2017
- Actuarial Cost Method: Entry Age, Normal
- Wage inflation rate: 2.75%

- Investment Rate of Return: 7.15%
- Projected Salary Increases: 2.75 – 11.55%, including wage inflation at 2.75%
- Healthcare Cost Trend Rate: 7.5% Year 1 graded to 3.0% Year 12
- Mortality:
  - Retirees: RP-2014 Male and Female Healthy Annuitant Mortality Tables, scaled by 82% for males and 78% for females and adjusted for mortality improvements using projection scale MP-2017 from 2006.
  - Active Members: Male and Female Employee Annuitant Mortality Tables, scaled 100% and adjusted for mortality improvements using projection scale MP-2017 from 2006.

Other Assumptions:

- Opt Out Assumptions: 21% of eligible participants hired before July 1, 2008 and 30% of those hired after June 30, 2008 are assumed to opt out of the retiree health plan
- Survivor Coverage: 80% of male retirees and 67% of female retirees are assumed to have coverages continuing after the retiree's death
- Coverage Election at Retirement: 75% of male and 60% of female future retirees are assumed to elect coverage for 1 or more dependents.

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

Recognition period for liabilities is the average of the expected remaining service lives of all employees in years: 5.6018

Recognition period for assets in years is 5.0000

Full actuarial assumptions are available in the 2018 MPSERS Comprehensive Annual Financial Report found on the ORS website at www.michigan.gov/orsschools.

Long-Term Expected Return on Plan Assets

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

Asset Class	Target Allocation	Long Term Expected Real Rate of Return*
Domestic Equity Pools	28.00%	5.7%
Alternative Investment Pools	18.00%	9.2%
International Equity	16.00%	7.2%
Fixed Income Pools	10.50%	0.5%
Real Estate and Infrastructure Pools	10.00%	3.9%
Absolute Return Pools	15.50%	5.0%
Short Term Investment Pools	2.00%	0.0%
	100.00%	

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

Rate of Return

For the fiscal year ended September 30, 2018, the annual money-weighted rate of return on OPEB plan investment, net of OPEB plan investment expense, was 10.75%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Discount Rate

A discount rate of 7.15% was used to measure the total OPEB liability. This discount rate was based on the long-term expected rate of return on OPEB plan investments of 7.15%. The projection of cash flows used to determine this discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

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

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

1% Decrease 6.15%	Current Discount Rate 7.15%	1% Increase 8.15%
$ 3,275,045	$ 2,728,114	$ 2,268,078

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

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

1% Decrease	Current Healthcare Cost Trend Rate	1% Increase
$ 2,243,843	$ 2,728,114	$ 3,283,670

OPEB Plan Fiduciary Net Position

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

Payables to the OPEB Plan

There were no significant payables to the OPEB plan that are not ordinary accruals to the School District.

Note 12 - Contingent Liabilities

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

REQUIRED SUPPLEMENTARY INFORMATION

Beal City Public Schools
Required Supplementary Information
Budgetary Comparison Schedule - General Fund
For the Year Ended June 30, 2019

	Budgeted Amounts			Over (Under)
	Original	Final	Actual	Budget
Revenues				
Local sources	$ 354,382	$ 580,726	$ 582,902	$ 2,176
State sources	5,874,245	5,948,219	5,968,692	20,473
Federal sources	68,959	87,994	87,929	(65)
Interdistrict sources	267,162	261,482	261,482	-
Total revenues	6,564,748	6,878,421	6,901,005	22,584
Expenditures				
Instruction				
Basic programs	3,262,529	3,231,531	3,217,245	(14,286)
Added needs	948,481	952,879	968,436	15,557
Supporting services				
Pupil	106,442	146,568	144,226	(2,342)
Instructional staff	141,976	138,268	134,934	(3,334)
General administration	221,736	225,661	223,777	(1,884)
School administration	382,654	379,382	379,309	(73)
Business	158,122	161,489	158,961	(2,528)
Operations and maintenance	461,419	474,757	467,183	(7,574)
Pupil transportation services	404,924	382,774	322,376	(60,398)
Central	143,976	138,747	137,962	(785)
Athletics	289,405	266,905	261,822	(5,083)
Community services	3,699	5,096	5,096	-
Capital outlay	93,349	130,093	103,297	(26,796)
Debt service				
Principal	11,597	11,424	11,424	-
Interest and fiscal charges	1,190	1,363	1,363	-
Total expenditures	6,631,499	6,646,937	6,537,411	(109,526)
Excess (deficiency) of revenues over expenditures	(66,751)	231,484	363,594	132,110

Beal City Public Schools
Required Supplementary Information
Budgetary Comparison Schedule - General Fund
For the Year Ended June 30, 2019

	Budgeted Amounts			
	Original	Final	Actual	Over (Under) Budget
Other Financing Sources (Uses)				
Proceeds from sale of capital assets	$ -	$ 15,143	$ 15,143	$ -
Transfers in	15,000	15,000	14,388	(612)
Transfers out	(150,000)	(150,000)	(150,000)	-
Total other financing sources (uses)	(135,000)	(119,857)	(120,469)	(612)
Net change in fund balance	(201,751)	111,627	243,125	131,498
Fund balance - beginning	1,854,870	1,854,870	1,854,870	-
Fund balance - ending	$ 1,653,119	$ 1,966,497	$ 2,097,995	$ 131,498

Beal City Public Schools
Required Supplementary Information
Schedule of the School District's Proportionate Share of the Net Pension Liability
Michigan Public School Employees Retirement Plan
Last 10 Fiscal Years (Measurement Date September 30th, of Each June Fiscal Year)

		2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
A.	Reporting unit's proportion of net pension liability (%)	0.0349%	0.0356%	0.0360%	0.0354%	0.0354%					
B.	Reporting unit's proportionate share of net pension liability	$ 10,485,419	$ 9,219,360	$ 8,977,721	$ 8,629,135	$ 7,800,937					
C.	Reporting unit's covered-employee payroll	$ 2,917,689	$ 2,942,127	$ 3,078,471	$ 2,946,941	$ 3,026,438					
D.	Reporting unit's proportionate share of net pension liability as a percentage of its covered- employee payroll	359.37%	313.36%	291.63%	292.82%	257.76%					
E.	Plan fiduciary net position as a percentage of total pension liability	62.36%	64.21%	63.27%	63.17%	66.20%					

Note Disclosures

Changes of benefit terms: There were no changes of benefit terms in plan fiscal year 2018.

Changes of benefit assumptions: There were no changes of benefit assumptions in plan fiscal year 2018.

Beal City Public Schools
Required Supplementary Information
Schedule of the School District's Pension Contributions
Michigan Public School Employees Retirement Plan
Last 10 Fiscal Years

	For the Years Ended June 30,									
	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
A. Statutorily required contributions	$ 905,341	$ 882,822	$ 552,877	$ 570,419	$ 727,215					
B. Contributions in relation to statutorily required contributions	905,341	882,822	552,877	570,419	727,215					
C. Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -					
D. Reporting unit's covered-employee payroll	$ 2,928,112	$ 2,927,591	$ 2,943,844	$ 2,962,315	$ 2,956,960					
E. Contributions as a percentage of covered-employee payroll	30.92%	30.16%	18.78%	19.26%	24.59%					

Beal City Public Schools
Required Supplementary Information
Schedule of the School District's Proportionate Share of the Net OPEB Liability
Michigan Public School Employees Retirement Plan
Last 10 Fiscal Years (Measurement Date September 30th, of Each June Fiscal Year)

		2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
A.	Reporting unit's proportion of net OPEB liability (%)	0.0343%	0.0355%								
B.	Reporting unit's proportionate share of net OPEB liability	$ 2,728,114	$ 3,148,117								
C.	Reporting unit's covered-employee payroll	$ 2,917,689	$ 2,942,127								
D.	Reporting unit's proportionate share of net OPEB liability as a percentage of its covered- employee payroll	93.50%	107.00%								
E.	Plan fiduciary net position as a percentage of total OPEB liability	42.95%	36.39%								

Note Disclosures

Changes of benefit terms: There were no changes in benefit terms in plan fiscal year 2018.

Changes of benefit assumptions: There were no changes of benefit assumptions in plan fiscal year 2018.

Beal City Public Schools
Required Supplementary Information
Schedule of the School District's OPEB Contributions
Michigan Public School Employees Retirement Plan
Last 10 Fiscal Years

		For the Years Ended June 30,									
		2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
A.	Statutorily required contributions	$ 230,754	$ 215,219								
B.	Contributions in relation to statutorily required contributions	230,754	215,219								
C.	Contribution deficiency (excess)	$ -	$ -								
D.	Reporting unit's covered-employee payroll	$ 2,928,112	$ 2,927,591								
E.	Contributions as a percentage of covered-employee payroll	7.88%	7.35%								

OTHER SUPPLEMENTARY INFORMATION

Beal City Public Schools
Other Supplementary Information
Nonmajor Governmental Funds
Combining Balance Sheet
June 30, 2019

	Special Revenue Fund	Capital Projects Funds		Debt Service Funds				Total Nonmajor Governmental Funds
	Food Services	Public Improvement	2017	2012	2014	2012 SBLF Refunding	2017	
Assets								
Cash	$ 78,247	$ 220,972	$ 28,596	$ 34,189	$ 33,869	$ 30,551	$ 39,039	$ 465,463
Due from other governmental units	2,235	-	-	-	-	-	-	2,235
Inventory	1,616	-	-	-	-	-	-	1,616
Prepaid items	-	-	11,833	-	-	-	-	11,833
Total assets	$ 82,098	$ 220,972	$ 40,429	$ 34,189	$ 33,869	$ 30,551	$ 39,039	$ 481,147
Liabilities								
Due to other funds	$ 11,995	$ -	$ -	$ -	$ -	$ -	$ -	$ 11,995
Unearned revenue	5,671	-	-	-	-	-	-	5,671
Total liabilities	17,666	-	-	-	-	-	-	17,666
Fund Balance								
Non-spendable								
Inventory	1,616	-	-	-	-	-	-	1,616
Prepaid items	-	-	11,833	-	-	-	-	11,833
Restricted for								
Food service	62,816	-	-	-	-	-	-	62,816
Debt service	-	-	-	34,189	33,869	30,551	39,039	137,648
Capital projects	-	-	28,596	-	-	-	-	28,596
Assigned								
Capital projects	-	220,972	-	-	-	-	-	220,972
Total fund balance	64,432	220,972	40,429	34,189	33,869	30,551	39,039	463,481
Total liabilities and fund balance	$ 82,098	$ 220,972	$ 40,429	$ 34,189	$ 33,869	$ 30,551	$ 39,039	$ 481,147

Beal City Public Schools
Other Supplementary Information
Nonmajor Governmental Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended June 30, 2019

	Special Revenue Fund	Capital Projects Funds		Debt Service Funds				Total Nonmajor Governmental Funds
	Food Services	Public Improvement	2017	2012	2014	2012 SBLF Refunding	2017	
Revenues								
Local sources	$ 132,839	$ 44,554	$ 1,447	$ 101,360	$ 281,791	$ 218,191	$ 43,597	$ 823,779
State sources	25,588	-	-	419	541	194	-	26,742
Federal sources	125,881	-	-	-	-	-	-	125,881
Total revenues	284,308	44,554	1,447	101,779	282,332	218,385	43,597	976,402
Expenditures								
Current								
Education								
Supporting services	-	-	8,778	-	-	-	-	8,778
Food services	285,713	-	-	-	-	-	-	285,713
Capital outlay	7,765	269,877	454,248	-	-	-	-	731,890
Debt service								
Principal	-	44,012	-	77,000	260,000	198,000	25,000	604,012
Interest and other expenditures	-	-	-	23,736	20,720	20,531	17,530	82,517
Total expenditures	293,478	313,889	463,026	100,736	280,720	218,531	42,530	1,712,910
Excess (deficiency) of revenues over expenditures	(9,170)	(269,335)	(461,579)	1,043	1,612	(146)	1,067	(736,508)
Other Financing Sources (Uses)								
Proceeds from installment purchase	-	75,000	-	-	-	-	-	75,000
Transfers in	-	150,000	-	-	-	-	-	150,000
Transfers out	(14,388)	-	-	-	-	-	-	(14,388)
Total other financing sources (uses)	(14,388)	225,000	-	-	-	-	-	210,612
Net change in fund balance	(23,558)	(44,335)	(461,579)	1,043	1,612	(146)	1,067	(525,896)
Fund balance - beginning	87,990	265,307	502,008	33,146	32,257	30,697	37,972	989,377
Fund balance - ending	$ 64,432	$ 220,972	$ 40,429	$ 34,189	$ 33,869	$ 30,551	$ 39,039	$ 463,481

Beal City Public Schools
Other Supplementary Information
General Fund
Comparative Balance Sheet
June 30, 2019

	2019	2018
Assets		
Cash	$ 1,621,957	$ 1,415,479
Taxes receivable	-	805
Accounts receivable	1,130	83
Due from other funds	11,995	15,738
Due from other governmental units	1,165,802	1,094,732
Prepaid items	33,145	35,129
Total assets	$ 2,834,029	$ 2,561,966
Liabilities		
Accounts payable	$ 54,126	$ 22,014
Accrued expenditures	303,415	290,991
Accrued salaries payable	335,992	323,811
Unearned revenue	42,501	70,280
Total liabilities	736,034	707,096
Fund Balance		
Non-spendable		
Prepaid items	33,145	35,129
Restricted for		
Grants	174,210	136,947
Assigned		
Future fiscal year budget	455,318	201,751
Unassigned	1,435,322	1,481,043
Total fund balance	2,097,995	1,854,870
Total liabilities and fund balance	$ 2,834,029	$ 2,561,966

Beal City Public Schools
Other Supplementary Information
General Fund
Schedule of Revenues Compared to Budget
For the Year Ended June 30, 2019

	Original Budget	Final Budget	Actual	Over (Under) Final Budget
Revenue from local sources				
Property tax levy	$ 250,667	$ 269,400	$ 269,400	$ -
Tuition	2,475	2,475	1,875	(600)
Transportation fees	4,000	6,786	6,936	150
Earnings on investments	5,140	9,088	9,502	414
Student activities	62,000	82,333	83,069	736
Other local revenues	30,100	210,644	212,120	1,476
Total revenues from local sources	354,382	580,726	582,902	2,176
Revenues from state sources				
Grants - unrestricted	5,140,967	5,095,683	5,095,591	(92)
Grants - restricted	733,278	852,536	873,101	20,565
Total revenues from state sources	5,874,245	5,948,219	5,968,692	20,473
Revenues from federal sources				
Grants	68,959	87,994	87,929	(65)
Interdistrict sources				
ISD collected millage	267,162	261,482	261,482	-
Other financing sources				
Proceeds from sale of capital assets	-	15,143	15,143	-
Transfers in	15,000	15,000	14,388	(612)
Total other financing sources	15,000	30,143	29,531	(612)
Total revenue and other financing sources	$ 6,579,748	$ 6,908,564	$ 6,930,536	$ 21,972

Beal City Public Schools
Other Supplementary Information
General Fund
Schedule of Expenditures Compared to Budget
For the Year Ended June 30, 2019

	Original Budget	Final Budget	Actual	Over (Under) Final Budget
Basic program - elementary				
Salaries	$ 924,468	$ 922,233	$ 920,032	$ (2,201)
Employee benefits	687,384	708,915	704,207	(4,708)
Purchased services	58,177	67,538	66,717	(821)
Supplies and materials	79,115	34,755	34,035	(720)
Total elementary	1,749,144	1,733,441	1,724,991	(8,450)
Basic program - high school				
Salaries	787,992	752,090	750,034	(2,056)
Employee benefits	535,220	509,005	510,575	1,570
Purchased services	109,129	175,643	175,165	(478)
Supplies and materials	73,226	55,450	50,578	(4,872)
Other	7,818	5,902	5,902	-
Total high school	1,513,385	1,498,090	1,492,254	(5,836)
Added needs - special education				
Salaries	233,997	242,547	241,559	(988)
Employee benefits	163,655	172,406	172,497	91
Purchased services	71,200	43,299	43,294	(5)
Supplies and materials	2,200	9,766	7,547	(2,219)
Total special education	471,052	468,018	464,897	(3,121)

Beal City Public Schools
Other Supplementary Information
General Fund
Schedule of Expenditures Compared to Budget
For the Year Ended June 30, 2019

	Original Budget	Final Budget	Actual	Over (Under) Final Budget
Added needs - compensatory education				
Salaries	$ 82,244	$ 84,147	$ 84,039	$ (108)
Employee benefits	57,628	62,934	62,911	(23)
Purchased services	33,050	46,490	46,365	(125)
Supplies and materials	4,200	22,762	20,518	(2,244)
Total compensatory education	177,122	216,333	213,833	(2,500)
Added needs - career and technical education				
Salaries	31,101	34,860	34,860	-
Employee benefits	17,453	19,547	19,658	111
Purchased services	600	335	335	-
Supplies and materials	1,153	553	297	(256)
Other	250,000	213,233	234,556	21,323
Total career and technical education	300,307	268,528	289,706	21,178
Pupil - guidance services				
Salaries	56,878	77,061	76,323	(738)
Employee benefits	46,300	68,192	66,906	(1,286)
Supplies and materials	150	150	-	(150)
Total guidance services	103,328	145,403	143,229	(2,174)
Pupil - speech services				
Purchased services	150	-	-	-
Pupil - other support services				
Salaries	2,000	677	678	1
Employee benefits	964	488	319	(169)
Total other pupil support services	2,964	1,165	997	(168)

Beal City Public Schools
Other Supplementary Information
General Fund
Schedule of Expenditures Compared to Budget
For the Year Ended June 30, 2019

	Original Budget	Final Budget	Actual	Over (Under) Final Budget
Instructional staff - improvement of education				
Salaries	$ 3,000	$ 2,640	$ 2,040	$ (600)
Employee benefits	1,338	1,287	948	(339)
Purchased services	19,575	14,335	11,920	(2,415)
Supplies and materials	200	140	38	(102)
Total improvement of education	24,113	18,402	14,946	(3,456)
Instructional staff - educational media services				
Purchased services	18,285	18,650	18,444	(206)
Supplies and materials	1,083	837	836	(1)
Total educational media services	19,368	19,487	19,280	(207)
Instructional staff - technology assisted instruction				
Salaries	41,187	41,348	41,348	-
Employee benefits	35,058	36,918	37,265	347
Purchased services	9,200	12,085	12,085	-
Other	50	50	32	(18)
Total technology assisted instruction	85,495	90,401	90,730	329
Instructional staff - academic student assessment				
Purchased services	12,000	9,978	9,978	-
Supplies and materials	1,000	-	-	-
Total academic student assessment	13,000	9,978	9,978	-

Beal City Public Schools
Other Supplementary Information
General Fund
Schedule of Expenditures Compared to Budget
For the Year Ended June 30, 2019

	Original Budget	Final Budget	Actual	Over (Under) Final Budget
General administration - board of education				
Purchased services	$ 25,300	$ 29,050	$ 28,105	$ (945)
Other	13,700	14,500	13,884	(616)
Total board of education	39,000	43,550	41,989	(1,561)
General administration - executive administration				
Salaries	107,421	107,421	107,421	-
Employee benefits	71,265	70,190	70,142	(48)
Purchased services	500	500	341	(159)
Supplies and materials	3,500	4,000	3,884	(116)
Other	50	-	-	-
Total executive administration	182,736	182,111	181,788	(323)
School administration - office of the principal				
Salaries	206,339	206,908	206,577	(331)
Employee benefits	166,810	164,629	164,146	(483)
Purchased services	3,100	2,925	3,997	1,072
Supplies and materials	3,000	1,650	1,328	(322)
Other	2,005	1,725	1,723	(2)
Total office of the principal	381,254	377,837	377,771	(66)
School administration - other				
Supplies and materials	1,400	1,545	1,538	(7)

Beal City Public Schools
Other Supplementary Information
General Fund
Schedule of Expenditures Compared to Budget
For the Year Ended June 30, 2019

	Original Budget	Final Budget	Actual	Over (Under) Final Budget
Business - fiscal services				
Salaries	$ 67,623	$ 66,537	$ 66,208	$ (329)
Employee benefits	55,299	56,151	55,192	(959)
Purchased services	10,000	8,721	8,672	(49)
Supplies and materials	50	50	11	(39)
Other	500	390	387	(3)
Total fiscal services	133,472	131,849	130,470	(1,379)
Business - internal services				
Purchased services	17,000	17,000	15,856	(1,144)
Business - other				
Purchased services	6,150	4,355	4,354	(1)
Other	1,500	8,285	8,281	(4)
Total other business	7,650	12,640	12,635	(5)
Operations and maintenance - operating building services				
Salaries	131,083	135,812	135,511	(301)
Employee benefits	89,986	92,769	93,006	237
Purchased services	149,450	171,081	165,238	(5,843)
Supplies and materials	89,200	71,170	69,705	(1,465)
Other	1,700	2,000	1,798	(202)
Total operating building services	461,419	472,832	465,258	(7,574)
Operations and maintenance - security services				
Purchased services	-	1,925	1,925	-

Beal City Public Schools
Other Supplementary Information
General Fund
Schedule of Expenditures Compared to Budget
For the Year Ended June 30, 2019

	Original Budget	Final Budget	Actual	Over (Under) Final Budget
Pupil transportation services				
Salaries	$ 109,183	$ 105,194	$ 105,035	$ (159)
Employee benefits	164,041	130,440	129,236	(1,204)
Purchased services	98,000	117,510	59,736	(57,774)
Supplies and materials	33,450	29,380	28,159	(1,221)
Other	250	250	210	(40)
Total transportation services	404,924	382,774	322,376	(60,398)
Central - communication services				
Salaries	4,025	4,131	4,130	(1)
Employee benefits	1,862	1,896	2,046	150
Purchased services	12,500	11,400	11,091	(309)
Total communication services	18,387	17,427	17,267	(160)
Central - staff/personnel services				
Salaries	30,730	30,730	30,729	(1)
Employee benefits	23,746	23,904	23,885	(19)
Purchased services	14,850	13,820	13,456	(364)
Other	1,000	1,500	1,511	11
Total staff/personnel services	70,326	69,954	69,581	(373)
Central - support services technology				
Salaries	10,297	10,337	10,337	-
Employee benefits	8,766	8,859	8,853	(6)
Purchased services	35,500	31,920	31,814	(106)
Supplies and materials	400	150	87	(63)
Other	300	100	23	(77)
Total support services technology	55,263	51,366	51,114	(252)

Beal City Public Schools
Other Supplementary Information
General Fund
Schedule of Expenditures Compared to Budget
For the Year Ended June 30, 2019

	Original Budget	Final Budget	Actual	Over (Under) Final Budget
Athletic activities				
Salaries	$ 100,108	$ 84,035	$ 83,708	$ (327)
Employee benefits	54,397	50,799	46,043	(4,756)
Purchased services	107,650	103,150	103,015	(135)
Supplies and materials	13,250	7,200	6,855	(345)
Other	14,000	21,721	22,201	480
Total athletic activities	289,405	266,905	261,822	(5,083)
Community services - non-public school pupils				
Salaries	600	2,735	2,735	-
Employee benefits	381	1,748	1,748	-
Purchased services	2,718	613	613	-
Total non-public school pupils	3,699	5,096	5,096	-
Capital outlay				
Basic program - elementary	23,635	23,339	22,955	(384)
Basic program - high school	3,000	35,148	10,166	(24,982)
Added needs - special education	2,000	270	266	(4)
Instructional staff - technology assisted instruction	31,208	52,627	51,771	(856)
General administration - executive administration	500	61	61	-
School administration - office of the principal	500	335	335	-
Operations and maintenance - operating building services	5,310	2,830	2,827	(3)
Pupil transportation services	-	4,487	4,487	-
Central - support services technology	17,000	3,000	2,638	(362)
Athletics	10,000	7,800	7,791	(9)
Other support services	196	196	-	(196)
Total capital outlay	93,349	130,093	103,297	(26,796)

Beal City Public Schools
Other Supplementary Information
General Fund
Schedule of Expenditures Compared to Budget
For the Year Ended June 30, 2019

	Original Budget	Final Budget	Actual	Over (Under) Final Budget
Debt service				
Principal	$ 11,597	$ 11,424	$ 11,424	$ -
Interest and other expenditures	1,190	1,363	1,363	-
Total debt service	12,787	12,787	12,787	-
Other financing uses				
Transfers out	150,000	150,000	150,000	-
Total expenditures and financing uses	$ 6,781,499	$ 6,796,937	$ 6,687,411	$ (109,526)

Beal City Public Schools
Other Supplementary Information
Schedule of Outstanding Bonded Indebtedness
June 30, 2019

Year Ending June 30,	2017	2014	2012 Series A	2012 Series B	Total
2020	$ 15,000	$ 240,000	$ 81,000	$ 240,000	$ 576,000
2021	15,000	380,000	80,000	129,000	604,000
2022	135,000	-	79,000	-	214,000
2023	135,000	-	77,000	-	212,000
2024	130,000	-	76,000	-	206,000
2025	130,000	-	74,000	-	204,000
2026	130,000	-	73,000	-	203,000
2027	120,000	-	71,000	-	191,000
Total	$ 810,000	$ 620,000	$ 611,000	$ 369,000	$ 2,410,000
Principal payments due the first day of	May	May	May	May	
Interest payments due the first day of	May and November	May and November	May and November	May and November	
Interest rate	1.30% - 2.60%	2.35% - 2.60%	3.45%	3.75% - 3.95%	
Original issue	$ 910,000	$ 2,110,000	$ 1,157,000	$ 1,009,000	

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Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*

Independent Auditors' Report

Management and the Board of Education
Beal City Public Schools
Mt. Pleasant, Michigan

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Beal City Public Schools as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise Beal City Public Schools' basic financial statements, and have issued our report thereon dated October 3, 2019.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Yeo & Yeo, P.C.

Alma, Michigan
October 3, 2019