

PELLSTON PUBLIC SCHOOLS
REPORT ON FINANCIAL STATEMENTS
(with required supplementary and additional information)
JUNE 30, 2017



CERTIFIED PUBLIC ACCOUNTANTS
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PELLSTON PUBLIC SCHOOLS
PELLSTON, MICHIGAN

ANNUAL FINANCIAL REPORT
YEAR ENDED JUNE 30, 2017

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July 12, 2017

INDEPENDENT AUDITOR'S REPORT

To the Board of Education
Pellston Public Schools
Pellston, Michigan

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Pellston Public Schools, Pellston, Michigan as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Pellston Public Schools, Pellston, Michigan as of June 30, 2017, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison schedule, schedule of proportionate share of the net pension liability, schedule of contributions, and notes to required supplementary information on pages iv through xi and 35 through 38 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Pellston Public Schools' basic financial statements. The combining and individual fund financial statements and other supplementary information, as identified on the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated July 12, 2017, on our consideration of Pellston Public Schools' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Pellston Public Schools' internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Pellston Public Schools' internal control over financial reporting and compliance.

BAIRD, COTTER AND BISHOP, P.C.

Baird, Cotter & Bishop, P.C.

PELLSTON PUBLIC SCHOOLS
PELLSTON, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED JUNE 30, 2017

This section of Pellston Public Schools' ("the District") annual report presents our discussion and analysis of the District's financial performance during the year ended June 30, 2017. Please read it in conjunction with the District's financial statements, which immediately follows this section.

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

Financial Highlights Section

Government-Wide

- The liabilities and deferred inflows of resources of the District exceeded its assets and deferred outflows of resources at the close of the most recent fiscal year by \$8,382,958 creating a deficit net position. Of this amount net capital assets net of related debt was a negative \$2,163,810.
- The government's total net deficit decreased by \$1,062,498.

Fund Level

- As of the close of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$1,255,866, an increase of \$133,081 in comparison with the prior year.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$998,985.

Overview of the Financial Statements

Government-Wide Financial Statements

The government-wide statements provide short-term and long-term financial information about the District's overall financial status. These statements are required by generally accepted accounting principles (GAAP) as described in the Government Accounting Standards Board (GASB) Statement No. 34. The district-wide financial statements are compiled using full accrual basis of accounting and more closely represent financial statements presented by business and industry. The Statement of Net Position includes all of the District's assets and liabilities. All of the year's revenue and expenses are accounted for in the Statement of Activities regardless of when cash is received or paid.

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

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

PELLSTON PUBLIC SCHOOLS
PELLSTON, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED JUNE 30, 2017

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

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

Fund Financial Statements

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

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

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

The District maintains the following kinds of funds:

Governmental Funds – The District's basic services are included in governmental funds, which generally focus on 1) how cash and other financial assets that can be readily be converted to cash flow in and out, and 2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps to determine whether there are more or less financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information (reconciliation schedules) immediately following the governmental funds statements that explain the relationship (or differences) between these two types of financial statement presentations.

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

Notes to Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the Government-wide and fund financial statements. The notes to the financial statements can be found on pages 9-34 of this report.

PELLSTON PUBLIC SCHOOLS
PELLSTON, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED JUNE 30, 2017

Other Information

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

Summary of Net Position

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

	<u>2017</u>	<u>2016</u>
Assets		
Current Assets	\$ 1,794,350	\$ 1,697,251
Capital Assets, Net of Accumulated Depreciation	2,938,480	3,149,072
Total Assets	<u>4,732,830</u>	<u>4,846,323</u>
Deferred Outflows of Resources	<u>1,074,059</u>	<u>891,293</u>
Liabilities		
Current Liabilities	1,563,538	1,565,445
Long-Term Liabilities	11,844,839	12,747,625
Total Liabilities	<u>13,408,377</u>	<u>14,313,070</u>
Deferred Inflow of Resources	<u>781,470</u>	<u>870,002</u>
Net Position		
Net Investment in Capital Assets (Deficit)	(2,163,810)	(2,910,617)
Restricted for Specific Purposes	89,413	84,737
Unrestricted (Deficit)	<u>(6,308,561)</u>	<u>(6,619,576)</u>
Total Net Position (Deficit)	<u>\$ (8,382,958)</u>	<u>\$ (9,445,456)</u>

Analysis of Financial Position

During the fiscal year ended June 30, 2017, the District's net position increased by \$1,062,498. A few of the more significant factors affecting net position during the year are discussed below:

1. Depreciation Expense

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

PELLSTON PUBLIC SCHOOLS
PELLSTON, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED JUNE 30, 2017

Depreciation expense is recorded on a straight-line basis over the estimated useful lives of the assets. In accordance with GAAP, depreciation expense is calculated based on the original cost of the asset less an estimated salvage value, where applicable. For the fiscal year ended June 30, 2017, \$410,032 was recorded for depreciation expense.

2. Pension Expense

GASB 68 now requires the District to account for its payments to the Michigan Public School Employees' Retirement System in a manner that has a significant effect on the District's change in net position. Based on various factors, the District may report an increase or decrease in net position depending on whether the District's proportionate share of the net pension liability increase or decreases in any given year. For the year ended June 30, 2017, the District reported a decrease in net position related to GASB 68, which indicates that the District's proportionate share of the net pension liability has increased.

3. Capital Outlay Acquisitions

For the fiscal year ended June 30, 2017, \$199,440 of expenditures for equipment and building improvements were capitalized and recorded as assets of the District. These additions to the District's capital assets will be depreciated over time as explained above.

The net effect of the new capital assets and the current year's depreciation is a decrease to capital assets in the amount of \$210,592 for the fiscal year ended June 30, 2017.

Change in Net Position

The following schedule summarizes the results of operations, on a district-wide basis, for the fiscal year ended June 30.

	<u>2017</u>	<u>2016</u>
Revenues		
Program Revenues		
Charges for Services	\$ 132,528	\$ 103,795
Operating Grants	1,748,323	1,600,666
Capital Grants	30,545	0
General Revenues		
Property Taxes	4,008,868	3,983,231
Investment Earnings	9,323	2,213
State Sources	1,053,973	1,226,975
Other	43,172	44,125
Total Revenues	<u>7,026,732</u>	<u>6,961,005</u>

PELLSTON PUBLIC SCHOOLS
PELLSTON, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED JUNE 30, 2017

	2017	2016
Expenses		
Instruction	3,241,735	3,544,548
Supporting Services	1,668,858	1,649,979
Athletic Activities	134,101	120,661
Food Service Activities	266,039	250,680
Community Services	0	502
Interest on Long-Term Debt	243,469	281,242
Unallocated Depreciation	410,032	413,757
	5,964,234	6,261,369
Total Expenses		
Change in Net Position	1,062,498	699,636
<u>Net Position (Deficit) - Beginning of Year</u>	(9,445,456)	(10,145,092)
<u>Net Position (Deficit) - End of Year</u>	\$ (8,382,958)	\$ (9,445,456)

Financial Analysis of the District's Funds

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

	2017	2016	Increase (Decrease)
Major Funds			
General Fund	\$ 1,062,549	\$ 922,935	\$ 139,614
2008 Refunding Debt	101,806	117,457	(15,651)
Nonmajor Funds			
Food Service	69,850	75,134	(5,284)
2012 School Technology and Equipment	21,661	7,259	14,402
2010 QZAB Bonds	0	0	0
2011 QZAB Bonds	0	0	0
	\$ 1,255,866	\$ 1,122,785	\$ 133,081
Total Governmental Funds			

In 2016-2017, the General Fund balance increased primarily due to instructional staff reductions/changes and the replacement of retired teachers with new staff.

The 2008 Refunding Fund decreased its fund balance by using the residual 2002 Debt Retirement fund balances transferred in the prior year for 2016-2017 debt payments.

The Food Service Fund decreased its fund balance due to the purchase of cafeteria furniture and kitchen equipment.

PELLSTON PUBLIC SCHOOLS
PELLSTON, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED JUNE 30, 2017

The 2012 School Technology and Equipment increased its fund balance due to debt service payments being slightly lower than the tax millage levied & the receipt of DNR payments in lieu of taxes.

General Fund Budgetary Highlights

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

For the 2016-2017 fiscal year, the District amended the general fund budget throughout the fiscal year. The following schedule shows a comparison of the original general fund budget, the final amended general fund budget and actual totals from operations:

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL
<u>REVENUES AND OTHER SOURCES</u>	\$ 5,514,011	\$ 5,656,533	\$ 5,648,282
<u>EXPENDITURES AND OTHER USES</u>			
Instruction	\$ 3,524,878	\$ 3,447,731	\$ 3,437,085
Supporting Services	1,917,296	2,006,936	1,993,566
Community Services	1,000	0	0
Transfers and Other Transactions	78,740	78,800	78,017
Total Expenditures and Other Uses	\$ 5,521,914	\$ 5,533,467	\$ 5,508,668

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

Capital Asset and Debt Administration

Capital Assets. The District's investment in capital assets for its governmental activities as of June 30, 2017, amounted to \$2,938,480 (net of accumulated depreciation). This investment in capital assets includes land and improvements, buildings and improvements, vehicles and equipment.

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

	2017	2016
Land and Improvements	\$ 440,250	\$ 442,000
Buildings and Improvements	1,897,959	2,085,912
Vehicles	346,308	408,631
Equipment	253,963	212,529
Total Capital Assets	\$ 2,938,480	\$ 3,149,072

PELLSTON PUBLIC SCHOOLS
PELLSTON, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED JUNE 30, 2017

Additions to capital assets included:

- Windows and Doors - \$52,284
- Carpet - \$9,735
- Gym Floor - \$14,720
- Gym Scoreboard - \$18,346
- Cafeteria Furniture - \$24,832
- Phone System - \$32,198
- Chromebooks - \$6,210
- Kitchen Hood - \$5,341
- Welding Equipment - \$35,774

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

Long-Term Debt. At year-end, the District had total bonded debt, installment contracts, net pension liability, and accrued compensation outstanding of \$12,835,839, net of bond discounts and premiums.

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

Factors Bearing on the District's Future

We considered many factors when setting the District's 2017-2018 fiscal year budget.

- The District is anticipating a declining enrollment State Aid Membership blend of 510 students this fall, a decrease of 20 students from the 2016-2017 membership blend. Overall enrollment numbers for the District continue to steadily decline at approximately 4-5% annually, thus impacting the overall district budget. Despite declining enrollment the District will continue to focus on providing high quality educational programs and opportunities for its students. We will continue to make the assumption that our school will continue to qualify for Isolated District funding.
- The general fund budget for 2017-2018 was developed using the following assumptions: The State foundation grant will increase by \$100 per pupil.
- The District will continue to host two pre-school programs in 2017-2018 utilizing Great Start Readiness Funds (GSRP). Funding from this grant will continue to allow the District to provide high-quality learning programs for young children both within and outside of district boundaries. The District has observed students from other school districts both within and outside of the ISD attending this high-quality program with families then choosing our district as a School of Choice as the child moves to Kindergarten. Furthermore, local data indicates that students who attend this program are better prepared for rigor in the classroom when they enter kindergarten.

PELLSTON PUBLIC SCHOOLS
PELLSTON, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED JUNE 30, 2017

- In response to the identified needs of students at the elementary school, the District has in place for the fall of 2017, a full-time Counselor assigned to the elementary school. Additionally, the District has hired in addition to the historical 1FTE Special Education Teacher at the elementary school an additional 0.5 FTE Special Education Teacher to meet the needs of the students in the building.
- In the area of employee health insurance, the Board approved the hard cap established for school districts as \$6,344.80 for a single subscriber, \$13,268.93 for a two person, and \$17,304.02 for full family. Any balance of the premium and any incurred HSA costs is being paid through employee payroll deduction.
- The District has projected revenues to be approximately \$5.3 million dollars. The District continues to closely monitor class size and works towards having an appropriate alignment of professional staff and student enrollment be balanced. The District anticipates 28 full-time teachers to service students in K-12.
- For the 2017-2018 fiscal year, the Board has modified administrative assignments to reflect the following: Superintendent and Elementary Principal (1-Year Supplemental Contract), Mrs. Monique Dean and Mr. Enos Bacon III will be continuing his sixth year as the Middle/High School Principal.

In an ongoing effort to provide students with vocational opportunities at the high school level, during the 2017-2018 year the District will maintain the following Career and Technical Education Programming: Aviation & Aeronautics Technology, Business Management, Construction Trades, Health Occupations and Welding and Brazing.

Request for Information

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

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PELLSTON PUBLIC SCHOOLS
PELLSTON, MICHIGAN

STATEMENT OF NET POSITION

JUNE 30, 2017

ASSETS

CURRENT ASSETS

Cash and Cash Equivalents	\$ 475,433
Investments	925,572
Accounts Receivable	863
Due from Other Governments	361,788
Prepaid Expenses	2,416
Inventories	28,278
	<hr/>
Total Current Assets	1,794,350

NON CURRENT ASSETS

Capital Assets	15,630,887
Less Accumulated Depreciation	(12,692,407)
	<hr/>
Total Non Current Assets	2,938,480
	<hr/>
Total Assets	4,732,830

DEFERRED OUTFLOWS OF RESOURCES

Deferred Outflows of Resources Related to Pensions	1,006,730
Deferred Charge on Refunding	67,329
	<hr/>
Total Deferred Outflows of Resources	1,074,059

LIABILITIES

CURRENT LIABILITIES

Accounts Payable	65,071
Accrued Expenses	120,947
Accrued Interest	34,054
Salaries Payable	255,069
Unearned Revenue	97,397
Current Portion of Non Current Liabilities	991,000
	<hr/>
Total Current Liabilities	1,563,538

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

PELLSTON PUBLIC SCHOOLS
PELLSTON, MICHIGAN

STATEMENT OF NET POSITION

JUNE 30, 2017

<u>NON CURRENT LIABILITIES</u>	
Bonds Payable - Net	5,102,290
Compensated Absences	3,564
Net Pension Liability	7,729,985
Less Current Portion of Non Current Liabilities	<u>(991,000)</u>
 Total Non Current Liabilities	 <u>11,844,839</u>
 Total Liabilities	 <u>13,408,377</u>
 <u>DEFERRED INFLOWS OF RESOURCES</u>	
Deferred Inflows of Resources Related to Pensions	<u>781,470</u>
 <u>NET POSITION</u>	
Net Investment in Capital Assets (Deficit)	(2,163,810)
Restricted for Debt Service	89,413
Unrestricted (Deficit)	<u>(6,308,561)</u>
 TOTAL NET POSITION - (DEFICIT)	 <u>\$ (8,382,958)</u>

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

PELLSTON PUBLIC SCHOOLS
PELLSTON, MICHIGAN

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2017

FUNCTIONS/PROGRAMS	EXPENDITURES	PROGRAM REVENUES			GOVERNMENTAL ACTIVITIES
		CHARGES FOR SERVICES	OPERATING GRANTS	CAPITAL GRANTS	NET (EXPENSE) REVENUE AND CHANGES IN NET POSITION
<u>GOVERNMENTAL ACTIVITIES</u>					
Instruction	\$ 3,241,735	\$ 13,101	\$ 1,268,239	\$ 0	\$ (1,960,395)
Supporting Services	1,668,858	22,734	217,164	30,545	(1,398,415)
Athletic Activities	134,101	40,927	1,863	0	(91,311)
Food Service Activities	266,039	55,766	230,250	0	19,977
Interest on Long-Term Debt	243,469	0	30,807	0	(212,662)
Unallocated Depreciation	410,032	0	0	0	(410,032)
TOTAL GOVERNMENTAL ACTIVITIES	<u>\$ 5,964,234</u>	<u>\$ 132,528</u>	<u>\$ 1,748,323</u>	<u>\$ 30,545</u>	<u>(4,052,838)</u>
<u>GENERAL REVENUES</u>					
Property Taxes - Levied for General Purposes					2,930,312
Property Taxes - Levied for Debt Service					1,078,556
Investment Earnings					9,323
State Sources					1,053,973
Other					43,172
Total General Revenues					<u>5,115,336</u>
Change in Net Position					1,062,498
<u>NET POSITION</u> - Beginning of Year - (Deficit)					<u>(9,445,456)</u>
<u>NET POSITION</u> - End of Year - (Deficit)					<u>\$ (8,382,958)</u>

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

PELLSTON PUBLIC SCHOOLS
PELLSTON, MICHIGAN

BALANCE SHEET
GOVERNMENTAL FUNDS

JUNE 30, 2017

		2008		
	GENERAL	REFUNDING DEBT RETIREMENT	OTHER NONMAJOR GOVERNMENTAL	TOTAL GOVERNMENTAL
	FUND	FUND	FUNDS	FUNDS
<u>ASSETS</u>				
Cash and Cash Equivalents	\$ 284,377	\$ 101,806	\$ 89,250	\$ 475,433
Investments	925,572	0	0	925,572
Accounts Receivable	0	0	863	863
Due from Other Funds	7,000	0	0	7,000
Due from Other Governments	356,512	0	5,276	361,788
Prepaid Expenditures	2,416	0	0	2,416
Inventory	21,148	0	7,130	28,278
TOTAL ASSETS	<u>\$ 1,597,025</u>	<u>\$ 101,806</u>	<u>\$ 102,519</u>	<u>\$ 1,801,350</u>
 <u>LIABILITIES AND FUND BALANCES</u>				
<u>LIABILITIES</u>				
Accounts Payable	\$ 65,071	\$ 0	\$ 0	\$ 65,071
Due to Other Funds	0	0	7,000	7,000
Accrued Expenditures	120,787	0	160	120,947
Salaries Payable	252,342	0	2,727	255,069
Unearned Revenue	96,276	0	1,121	97,397
Total Liabilities	<u>534,476</u>	<u>0</u>	<u>11,008</u>	<u>545,484</u>
 <u>FUND BALANCE</u>				
Nonspendable:				
Inventory	21,148	0	7,130	28,278
Prepaid Expenditures	2,416	0	0	2,416
Restricted:				
Debt Service	0	101,806	21,661	123,467
Food Service	0	0	62,720	62,720
Committed:				
Facility Improvements	40,000	0	0	40,000
Unassigned	998,985	0	0	998,985
Total Fund Balances	<u>1,062,549</u>	<u>101,806</u>	<u>91,511</u>	<u>1,255,866</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 1,597,025</u>	<u>\$ 101,806</u>	<u>\$ 102,519</u>	<u>\$ 1,801,350</u>

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

PELLSTON PUBLIC SCHOOLS
PELLSTON, MICHIGAN

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

JUNE 30, 2017

Total Governmental Fund Balances	\$	1,255,866
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets used in governmental activities are not financial resources and are not reported in the funds.		
The cost of the capital assets is	\$	15,630,887
Accumulated depreciation is		<u>(12,692,407)</u>
		2,938,480
Bond discounts and issuance costs for bonds issued are expenditures at the modified accrual fund level, but are capitalized and written off over the life of bonds payable at the district-wide full accrual level.		
Deferred (Gain) Loss on Refunding		67,329
Bond Discount (Premium)		(29,290)
Long-term liabilities are not due and payable in the current period and are not reported in the funds.		
Bonds Payable		(5,073,000)
Compensated Absences		(3,564)
Net Pension Liability		(7,729,985)
Deferred outflows and (inflows) of resources related to pensions are applicable to future periods and, therefore, are not reported in the funds.		
Deferred Outflows of Resources - Related to Pensions		1,006,730
Deferred Inflows of Resources - Related to Pensions		(781,470)
Accrued interest is not included as a liability in governmental funds, it is recorded when paid.		<u>(34,054)</u>
NET POSITION OF GOVERNMENTAL ACTIVITIES	\$	<u><u>(8,382,958)</u></u>

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

PELLSTON PUBLIC SCHOOLS
PELLSTON, MICHIGAN

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

YEAR ENDED JUNE 30, 2017

	2008 REFUNDING DEBT GENERAL FUND	2008 REFUNDING DEBT RETIREMENT FUND	OTHER NONMAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
<u>REVENUES</u>				
Local Sources	\$3,088,079	\$ 911,787	\$ 232,285	\$ 4,232,151
State Sources	1,922,427	3,415	8,846	1,934,688
Federal Sources	309,267	0	252,828	562,095
Other Transactions	328,509	0	0	328,509
Total Revenues	<u>5,648,282</u>	<u>915,202</u>	<u>493,959</u>	<u>7,057,443</u>
<u>EXPENDITURES</u>				
Instruction	3,437,085	0	0	3,437,085
Supporting Services	1,857,533	0	0	1,857,533
Athletic Activities	136,033	0	0	136,033
Food Service Activities	0	0	300,384	300,384
Debt Service				
Principal	0	740,000	211,000	951,000
Interest and Fees	0	190,853	51,474	242,327
Total Expenditures	<u>5,430,651</u>	<u>930,853</u>	<u>562,858</u>	<u>6,924,362</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>217,631</u>	<u>(15,651)</u>	<u>(68,899)</u>	<u>133,081</u>
<u>OTHER FINANCING SOURCES (USES)</u>				
Transfers In	0	0	78,017	78,017
Transfers Out	(78,017)	0	0	(78,017)
Total Other Financing Sources (Uses)	<u>(78,017)</u>	<u>0</u>	<u>78,017</u>	<u>0</u>
Net Change in Fund Balance	139,614	(15,651)	9,118	133,081
<u>FUND BALANCE</u> - Beginning of Year	<u>922,935</u>	<u>117,457</u>	<u>82,393</u>	<u>1,122,785</u>
<u>FUND BALANCE</u> - End of Year	<u>\$1,062,549</u>	<u>\$ 101,806</u>	<u>\$ 91,511</u>	<u>\$ 1,255,866</u>

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

PELLSTON PUBLIC SCHOOLS
PELLSTON, MICHIGAN

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

YEAR ENDED JUNE 30, 2017

Net Change in Fund Balances Total Governmental Funds \$ 133,081

Amounts reported for governmental activities are different because:

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

Depreciation Expense	(410,032)
Capital Outlay	199,440

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

Accrued Interest Payable - Beginning of Year	39,979
Accrued Interest Payable - End of Year	(34,054)

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

Repayment of Bond Principal	951,000
Amortization of Deferred Charges	(7,067)

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

Accumulated Sick Pay - Beginning of Year	3,096
Accumulated Sick Pay - End of Year	(3,564)

Governmental funds report district pension contributions as expenditures. However, in the Statement of Activities, the cost of pension benefits earned net of employee contributions is reported as a pension expense.

Change in Pension Related Items	221,330
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Restricted revenue reported in the governmental funds that is deferred to offset the deferred outflows related to Section 147c pension contributions subsequent to the measurement date.

Change in State Aid Funding for Pension	<u>(30,711)</u>
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CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	<u>\$ 1,062,498</u>
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The notes to the financial statements are an integral part of this statement.

PELLSTON PUBLIC SCHOOLS
PELLSTON, MICHIGAN

STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS

JUNE 30, 2017

	<u>AGENCY FUNDS</u>
<u>ASSETS</u>	
Cash and Cash Equivalents	\$ 27,073
Investments	79,881
	<hr/>
Total Assets	106,954
	<hr/>
<u>LIABILITIES</u>	
Accounts Payable	3,085
Due to Groups and Organizations	103,869
	<hr/>
Total Liabilities	106,954
	<hr/>
<u>NET POSITION</u>	<u>\$ 0</u>

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

PELLSTON PUBLIC SCHOOLS
PELLSTON, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

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

B. Description of Government-Wide Financial Statements

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

C. Basis of Presentation – Government-Wide Financial Statements

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

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

D. Basis of Presentation – Fund Financial Statements

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

PELLSTON PUBLIC SCHOOLS
PELLSTON, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

The District reports the following major governmental funds:

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

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

Other Non-Major Funds:

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

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

Additionally, the District reports the following fund type:

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

The District reports the following fiduciary fund:

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

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

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

PELLSTON PUBLIC SCHOOLS
PELLSTON, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

E. Measurement Focus and Basis of Accounting

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

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

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

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

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

F. Budgetary Information

1. Budgetary Basis of Accounting

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

PELLSTON PUBLIC SCHOOLS
PELLSTON, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

Appropriations in all budgeted funds lapse at the end of the fiscal year even if they have related encumbrances. Encumbrances represent commitments related to unperformed contracts for goods or services. Encumbrance accounting - under which purchase orders, contracts and other commitments for the expenditure of resources are recorded to reserve that portion of the applicable appropriation - is utilized in the governmental funds. While all appropriations and encumbrances lapse at year-end, valid outstanding encumbrances (those for which performance under the executory contract is expected in the next year) are re-appropriated and become part of the subsequent year's budget pursuant to state regulations.

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

- a) In June, the superintendent submits to the school board a proposed operating budget for the fiscal year commencing on July 1.
- b) A public hearing is conducted during June to obtain taxpayer comments.
- c) Prior to June 30, the budget is legally adopted by the School Board resolution pursuant to the Uniform Budgeting and Accounting Act. The Act requires that the budget be amended prior to the end of the fiscal year, when necessary, to adjust appropriations if it appears that revenues and other financial sources will be less than anticipated, or so that expenditures will not be in excess of original estimates. Expenditures shall not be made or incurred, unless authorized in the budget, in excess of the amount appropriated.
- d) The superintendent is charged with general supervision of the budgets and shall hold the department heads responsible for performance of their responsibilities.
- e) For purposes of meeting emergency needs of the school district, transfer of appropriations may be made by the authorization of the superintendent. Such transfers of appropriations must be approved by the Board of Education at its next regularly scheduled meeting.
- f) During the year the budgets are monitored and amendments to the budget resolution are made when it is deemed necessary.
- g) Budgeted amounts are as originally adopted on June 28, 2016, or as amended by the School Board of Education throughout the year.

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

1. Cash and Cash Equivalents

The District's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments. The District considers all highly liquid investments (including certificates of deposit) to be cash equivalents.

PELLSTON PUBLIC SCHOOLS
PELLSTON, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

2. *Investments*

Investments – Certain investments are valued at fair value as determined by quoted market prices, or by estimated fair values when quoted market prices are not available. Standards also provide that certain investments are valued at cost (or amortized cost) when they are of a short-term duration the rate of return is fixed, and the District intends to hold the investment until maturity.

State statutes authorize the District to invest in bonds and other direct and certain indirect obligations of the U.S. Treasury; certificates of deposit, savings accounts, deposit accounts, or depository receipts of bank, savings and loan association, or credit union, which is a member of the Federal Deposit Insurance Corporation, Federal Savings, and Loan Insurance Corporation, or National Credit Union Administration, respectively; in commercial paper rated at the time of purchase within the three highest classifications established by not less than two standard rating services and which matures not more than 270 days after the date of purchase. The District is also authorized to invest in U.S. District or federal agency obligation repurchase agreements, bankers, acceptances of U.S. banks, and mutual funds composed of investments as outlined above.

Investments in the U.S. Treasury securities and those other securities completely guaranteed by the Treasury as to payment of principal and interest may be purchased in any dollar amount or up to 100 percent of the available reserves.

All investments must mature or be redeemable within two (2) years of the date of purchase. The District's deposits and investments are held separately by several of the District's funds.

3. *Inventory and Prepaid Items*

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

4. *Capital Assets*

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

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

PELLSTON PUBLIC SCHOOLS
PELLSTON, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

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

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

5. *Unearned Revenue*

Unearned revenue arises when resources are received by the District before it has a legal claim to them. In subsequent periods, when both revenue recognition criteria are met, or when the government has a legal claim to the resources, revenue is recognized.

6. *Compensated Absences*

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

7. *Long-Term Obligations*

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

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

8. *Deferred Outflows/Inflows of Resources*

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District has two items that qualify for reporting in this category. One is the deferred charge on refunding reported in the government-wide *Statement of Net Position*. A deferred charge on refunding results from the difference

PELLSTON PUBLIC SCHOOLS
PELLSTON, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or funding debt. The other is related to the pension plan for its employees, details can be found in footnote 2.E.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. The separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District has one item that qualifies for reporting in this category, which is related to the pension plan for its employees. Details can be found in footnote 2.E.

9. Pension

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

10. Net Position Flow Assumption

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

11. Fund Balance Flow Assumption

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

12. Fund Balance Policies

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

PELLSTON PUBLIC SCHOOLS
PELLSTON, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

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

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

13. Use of Estimates

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

H. Revenues and Expenditures/Expenses

1. State Revenue

The State of Michigan utilizes a foundation grant approach which provides for a specific annual amount of revenue per pupil based on a statewide formula. The Foundation is funded from state and local sources. Revenues from state sources are primarily governed by the School Aid Act and the School Code of Michigan. The Michigan Department of Education administers the allocation of state funds to school districts based on information supplied by the districts. For the year ended June 30, 2017 the foundation allowance was based on pupil membership counts taken in October 2016 and February 2016. For fiscal year ended June 30, 2017, the per pupil foundation allowance was \$7,511 for Pellston Public Schools.

The state portion of the foundation is provided primarily by a state education property tax millage of 6 mills and an allocated portion of state sales and other taxes. The local portion of the foundation is funded primarily by non-homestead property taxes, which may be levied at a rate of up to 18 mills. The State revenue is recognized during the foundation period and is funded through payments from October 2016 to August 2017. Thus, the unpaid portion at June 30th is reported as due from other governmental units.

PELLSTON PUBLIC SCHOOLS
PELLSTON, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

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

2. Program Revenues

Amounts reported as program revenue include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. All taxes, including those dedicated for specific purposes, state foundation aid, certain revenue from the intermediate school district and other unrestricted items are not included as program revenue but instead as *general revenues*.

3. Property Taxes

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

For the year ended June 30, 2017, the District levied the following amounts per \$1,000 of taxable valuation:

<u>Fund</u>	<u>Mills</u>
General Fund - Non-Homestead	18.0000
General Fund - Non-Homestead Commercial PPT	6.0000
Debt Service Fund - Homestead and Non-Homestead	3.5680

NOTE 2 – DETAILED NOTES ON ALL ACTIVITIES AND FUNDS

A. Deposits and Investments

Custodial credit risk – deposits. In the case of deposits, this is the risk that in the event of a bank failure, the District's deposits may not be returned to it. As of June 30, 2017, the District's bank balance was \$532,503 and \$159,036 of that amount was exposed to custodial credit risk because it was uninsured and uncollateralized. The risk is spread amongst the District's funds. Although the District's investment policy does not directly address custodial credit risk, it typically limits its exposure by purchasing insured or registered investments or by controlling who holds the deposits.

Interest rate risk – In accordance with its investment policy, the District will minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by structuring the investment portfolio so that securities mature to meet cash requirements for ongoing

PELLSTON PUBLIC SCHOOLS
PELLSTON, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

operations, thereby avoiding the need to sell securities in the open market; and, investing operating funds primarily in shorter-term securities, liquid asset funds, money market mutual funds, or similar investment pools and limiting the average maturity in accordance with the District's cash requirements.

Credit risk. State law limits investments in commercial paper and corporate bonds to a prime or better rating issued by nationally recognized statistical rating organizations (NRSOs).

Concentration of credit risk. The District will minimize concentration of credit risk, which is the risk of loss attributed to the magnitude of the District's investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized.

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

Custodial credit risk – investments. For an investment, this is the risk that, in the event of the failure of the counterparty, the government will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Although the District's investment policy does not directly address custodial credit risk, it typically limits its exposure by purchasing insured or registered investments or by controlling who holds the investments.

As of June 30, 2017, the District had the following investments:

	Fair Value	Weighted Average Maturity (Years)	Standard & Poor's Rating	%
MILAF+ External Investment Pool - MIMAX	\$ 1,005,453	0.0027	AAAm	100.00%
	\$ 1,005,453			100.00%
Portfolio Weighted Average Maturity		0.0027		

1 Day Maturity Equals 0.0027, One Year Equals 1.000

The District invests certain excess funds in external pooled investment funds which include money market funds. One of the pooled investment funds utilized by the District is the Michigan Investment Liquid Asset Fund Plus (MILAF+). MILAF+ is a local government investment pool of "qualified" investments for Michigan school districts. MILAF+ is not regulated nor is it registered with the SEC. MILAF+ reports as of June 30, 2017, the fair value of the District's investments is the same as the value of the pooled shares. MILAF, as defined by GASB, is recorded at amortized cost which approximates fair value. The MILAF+ portfolio offers three share classes which are: Cash Management Class, MAX Class, and GovMIC Class. The only class that has limitations or restrictions on withdrawals is MAX Class, which requires notification of redemptions prior to 14 days to avoid penalties. The MILAF+ portfolio is not subject to fair value disclosures.

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Fair Market Value Disclosure - The District is required to disclose amounts within a framework established for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described as follows:

Level 1: Quoted prices in active markets for identical securities.

Level 2: Prices determined using other significant observable inputs. Observable inputs are inputs that reflect the assumptions market participants would use in pricing a security and are developed based on market data obtained from sources independent of the reporting entity. These may include quoted prices from similar activities, interest rates, prepayment speeds, credit risk, and others. Debt securities are valued in accordance with evaluated bid price supplied by the pricing service and generally categorized as Level 2 in the hierarchy. Securities that are categorized as Level 2 in the hierarchy include, but are not limited to, repurchase agreements, U.S. government agency securities, corporate securities, and commercial paper.

Level 3: Prices determined using significant unobservable inputs. In situations where quoted prices or observable inputs are unavailable or deemed less relevant (for example, when there is little or no market activity for an investment at the end of the period), unobservable inputs may be used. Unobservable inputs reflect the reporting entity's own assumptions about the factors market participants would use in pricing the security and would be based on the best information available under the circumstances.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs. There are two types of valuation techniques most commonly used and vary depending on the level of investment. These two techniques are the market approach and income approach. The market approach uses prices and other relevant information generated by the market transactions involving identical or similar assets and liabilities. The income approach discounts future amounts to a single current amount and the discount rate used in the process should reflect current market expectations about risks associated with those future cash flows.

The District does not have any investments subject to the fair value measurement.

The carrying amount of deposits and investments is as follows:

	<u>Total</u>
Deposits – including Fiduciary Funds of \$27,073	\$ 502,506
Investments - including Fiduciary Funds of \$79,881	<u>1,005,453</u>
	<u>\$ 1,507,959</u>

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The above amounts are reported in the financial statements as follows:

	Total
Cash - Fiduciary Funds	\$ 27,073
Cash - District-Wide	475,433
Investments	1,005,453
	\$ 1,507,959

B. Receivables

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

	General	Nonmajor and Other Funds	Total
Receivables			
Accounts	\$ 0	\$ 863	\$ 863
Due from Other Governments	356,512	5,276	361,788
Total Receivables	\$ 356,512	\$ 6,139	\$ 362,651

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

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

C. Capital Assets

Capital assets activity for the year ended June 30, 2017, was as follows:

	Balance July 1, 2016	Additions	Deletions	Balance June 30, 2017
Capital Assets not Being Depreciated:				
Land	\$ 435,000	\$ 0	\$ 0	\$ 435,000
Capital Assets Being Depreciated				
Land Improvements	75,000	0	0	75,000
Buildings and Improvements	12,682,518	95,085	0	12,777,603
Vehicles	692,127	0	0	692,127
Equipment	1,546,802	104,355	0	1,651,157
Subtotal	14,996,447	199,440	0	15,195,887

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	Balance July 1, 2016	Additions	Deletions	Balance June 30, 2017
Less Accumulated Depreciation for:				
Land Improvements	(68,000)	(1,750)	0	(69,750)
Buildings and Improvements	(10,596,606)	(283,038)	0	(10,879,644)
Vehicles	(283,496)	(62,323)	0	(345,819)
Equipment	(1,334,273)	(62,921)	0	(1,397,194)
Total Accumulated Depreciation	(12,282,375)	(410,032)	0	(12,692,407)
Total Capital Assets Being Depreciated, Net	2,714,072	(210,592)	0	2,503,480
Capital Assets, Net	\$ 3,149,072	\$ (210,592)	\$ 0	\$ 2,938,480

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

Governmental Activities	
Unallocated	\$ 410,032
Total Depreciation Expense - Governmental Activities	\$ 410,032

D. Defined Benefit Plan and Post-Retirement Benefits

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

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 separately issued financial statements are available at www.michigan.gov/mpsers-cafr.

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Benefit Provisions- Pension

Introduction

Participants are enrolled in one of multiple plans based on date of hire and certain voluntary elections. A summary of the pension plans offered by MPSERS is as follows:

<u>Plan Name</u>	<u>Plan Type</u>	<u>Plan Status</u>
Basic	Defined Benefit	Closed
Member Investment Plan (MIP)	Defined Benefit	Closed
Pension Plus	Hybrid	Open
Defined Contribution	Defined Contribution	Open

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

Prior to pension reform of 2010 there were two plans commonly referred to as Basic and Member Investment Plan (MIP). Basic plan member's contributions range from 0% to 4%. On January 1, 1987, the Member Investment Plan (MIP) was enacted. MIP members enrolled prior to January 1, 1990 contribute at a permanently fixed rate of 3.9% of gross wages. Members first hired January 1, 1990 or later, including Pension Plus plan members, contribute at various graduated permanently fixed contribution rates from 3.0% to 7.0%

Pension Reform 2010

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

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Pension Reform 2012

On September 4, 2012, the Governor signed Public Act 300 of 2012 into law. The legislation grants all active members who first became a member before July 1, 2010 and who earned service credit in the 12 months ending September 3, 2012, or were on an approved professional services or military leave of absence on September 3, 2012, a voluntary election regarding their pension. Any changes to a member's pension are effective as of the member's *transition date*, which is defined as the first day of the pay period that begins on or after February 1, 2013. Under the reform, members voluntarily chose to increase, maintain, or stop their contributions to the pension fund. Members who elected under option 1 to increase their level of contribution contribute 4% (Basic Plan) or 7% (MIP).

Regular Retirement

Eligibility – Age 55 with 30 years credited service; or age 60 with 10 years credited service. For Member Investment Plan (MIP) members, any age with 30 years credited service; or age 60 with 10 years credited service; or age 60 with 5 years of credited service provided member worked through 60th birthday and has credited service in each of the last 5 years. For Pension Plus Plan (PPP) members, age 60 with 10 years of credited service.

Annual Amount – Total credited service as of the transition date times 1.5% of final average compensation.

Pension Plus

An amount determined by the member's election of Option 1, 2, 3, or 4 as described below.

Option 1: Credited service after the transition date times 1.5% times final average compensation.

Option 2: Credited service after the transition date (until total service reaches 30 years) times 1.5% times final average compensation, plus credited service after the transition date and over 30 years times 1.25% times final average compensation.

Option 3: Credited service after the transition date times 1.25% times final average compensation.

Option 4: None (Member will receive benefit through a defined contribution plan). As a Defined Contribution participant they receive a 4% employer contribution to a tax-deferred 401(k) account and can choose to contribute up to the maximum amounts permitted by the IRS.

Employees who first work on or after September 4, 2012 choose between two retirement plans: the Pension Plus Plan and the Defined Contribution Plan that provides a 50% employer match up to 3% of salary on employee contributions.

Final Average Compensation (FAC) – Average of highest 60 consecutive months (36 months for MIP members). FAC is calculated as of the last day worked unless the member elected option 4, in which case the FAC is calculated at the transition date.

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Contributions

Depending on the plan selected, member contributions range from 0% to 7%. Plan members electing the defined contribution plan are not required to make additional contributions.

Reporting units are required by Public Act 300 of 1980, as amended, to contribute amounts necessary to finance the coverage of members and retiree other post-employment benefits (OPEB). 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, 2016 valuation will be amortized over a 20 year period for the 2016 fiscal year. The schedule below summarizes pension contribution rates in effect for fiscal year 2016.

Pension Contribution Rates

<u>Benefit Structure</u>	<u>Member</u>	<u>Employer</u>
Basic	0.0-4.0%	18.95%
Member Investment Plan	3.0-7.0%	18.95%
Pension Plus	3.0-6.4%	17.73%
Defined Contribution	0.0%	14.56%

The District's pension contributions for the year ended June 30, 2017 were equal to the required contribution total. Pension contributions were approximately \$725,822. These amounts include contributions funded from state revenue Section 147c restricted to fund MPSERS Unfunded Actuarial Accrued Liability (UAAL) Stabilization Rate (72.88% for pension and 27.12% for OPEB).

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

Pension Liabilities

At June 30, 2017, the District reported a liability of \$7,729,985 for its proportionate share of the net pension liability. The net pension liability was measured as of September 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation date of September 30, 2015, and rolled-forward using generally accepted actuarial procedures. The District's proportion of the net pension liability was based on a projection of its long-term share of contributions to the pension plan relative to the projected contributions of all participating reporting units, actuarially determined. At September 30, 2016 and 2015, the District's proportion was .03098292% and .03126236%.

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MPSERS (Plan) Net Pension Liability – As of September 30, 2016 and September 30, 2015

	<u>September 30, 2016</u>	<u>September 30, 2015</u>
Total Pension Liability	\$ 67,917,445,078	\$ 66,312,041,902
Plan Fiduciary Net Position	42,968,263,308	41,887,015,147
Net Pension Liability	<u>\$ 24,949,181,770</u>	<u>\$ 24,425,026,755</u>
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	63.27%	63.17%
Net Pension Liability as a Percentage of Covered-Employee Payroll	295.81%	292.61%

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

For the year ended June 30, 2017, the District recognized total pension expense of \$265,199. This amount excludes contributions funded from state revenue Section 147c restricted to fund the MPSERS Unfunded Actuarial Accrued Liability (UAAL) Stabilization Rate.

At June 30, 2017, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 96,336	\$ 18,320
Changes of assumptions	120,852	0
Net difference between projected and actual earnings on pension plan investments	128,472	0
Changes in proportion and differences between District contributions and proportionate share of contributions	124	523,856
District section 147c revenue related to pension contributions subsequent to the measurement date	0	239,294
District contributions subsequent to the measurement date	660,946	0
Total	<u>\$ 1,006,730</u>	<u>\$ 781,470</u>

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\$660,946 reported as deferred outflows of resources and \$239,294 reported as deferred inflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a net reduction of the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources (+) and deferred inflows of resources (-) related to pensions will be recognized in pension expense as follows:

<u>Year Ended September 30,</u>	<u>Amount</u>
2017	\$ (126,508)
2018	(136,622)
2019	47,158
2020	19,580
	\$ (196,392)

F. Actuarial Valuations and Assumptions of the Pension Plan

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, 2015
Actuarial Cost Method:	Entry Age, Normal
Wage Inflation Rate:	3.50%
Investment Rate of Return	
-MIP and Basic Plans (Non-Hybrid):	8.00%
-Pension Plus Plan (Hybrid):	7.00%
Projected Salary Increases:	3.5-12.3 % including wage inflation at 3.5%
Cost of Living Pension Adjustments:	3% Annual Non-Compounded for MIP Members
Mortality:	RP-2000 Male and Female Combine Healthy Life Mortality Tables, adjusted for mortality improvements to 2025 using projection scale BB. This assumption was first used for the September 30, 2014 valuation of the System. For retirees, 100% of the table rates were used. For active members, 80% of the table rates were used for males and 70% of the table rates were used for females.

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Notes:

- Assumption changes as a result of an experience study for the periods 2007 through 2012 have been adopted by the System for use in the annual pension valuations beginning with the September 30, 2014 valuation. The total pension liability as of September 30, 2016, is based on the results of an actuarial valuation date of September 30, 2015, 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: 4.6273.
- Recognition period for assets in years is 5.0000.
- Full actuarial assumptions are available in the 2016 MPSERS Comprehensive Annual Financial Report.

Long-Term Expected Rate of Return on Investments

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, 2016, are summarized in the following table:

<u>Investment Category</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic Equity Pools	28.00%	5.90%
Alternative Investment Pools	18.00%	9.20%
International Equity	16.00%	7.20%
Fixed Income Pools	10.50%	0.90%
Real Estate & Infrastructure Pools	10.00%	4.30%
Absolute Return Pools	15.50%	6.00%
Short-Term Investment Pools	2.00%	0.00%
	<u>100%</u>	

*Long-term rate does not include 2.1% inflation.

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Discount Rate

A discount rate of 8.0% was used to measure the total pension liability (7.0% for the Pension Plus plan, a hybrid plan). This discount rate was based on the long-term expected rate of return on pension plan investments of 8.0% (7.0% for the Pension Plus 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 District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the District's proportionate share of the net pension liability, calculated using the discount rate of 8.0 percent (7.0% for the Pension Plus plan), as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher:

1% Decrease (Non-Hybrid/Hybrid) 7.0% / 6.0%	Current Single Discount Rate Assumption (Non-Hybrid/Hybrid) 8.0% / 7.0%	1% Increase (Non-Hybrid/Hybrid) 9.0% / 8.0%
\$ 9,954,275	\$ 7,729,985	\$ 5,854,695

G. Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued Michigan Public School Employees Retirement System 2016 Comprehensive Annual Financial Report.

H. Payables to the Pension Plan

As of June 30, 2017, the District is current on all required pension plan payments. As of June 30, 2017, the District reported payables in the amount of \$124,317 to the pension plan. These amounts represent current payments for June wages paid in July, accruals for summer pay primarily for teachers and also the contributions due funded from state revenue Section 147c restricted to fund the MPSERS Unfunded Actuarial Accrued Liability (UAAL) Stabilization Rate.

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I. Benefit Provisions – Other Post-Employment

Introduction

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

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

Retiree Healthcare Reform of 2012

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

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

Employer Contributions

The employer contribution rate ranged from 5.52% - 6.45% of covered payroll for the period October 1, 2013 to March 9, 2015; from 2.20% - 2.71% of covered payroll for the period from March 10, 2015 to September 30, 2015; and from 6.40% - 6.83% of covered payroll for the period from October 1, 2015

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through September 30, 2016; and 5.69% - 5.91% of covered payroll for the period October 1, 2016 through September 30, 2017 dependent upon the employee's date of hire and plan election.

The District's contributions to MPERS for post-employment healthcare contributions for the years ended June 30, 2017, 2016, and 2015 were approximately \$245,000, \$150,000, and \$67,000.

J. Risk Management

The District is exposed to various risks of loss related to property loss, torts, errors and omissions, employee injuries (workers' compensation) as well as medical benefits provided to employees.

The District participates in a distinct pool of education institutions within the State of Michigan for various risks of loss, including general liability, property and casualty, employee health and accident insurance, and workers' disability compensation. The pool is considered a public entity risk pools. The District pays annual premiums to each pool for the respective insurance coverage. In the event a pool's total claims and expenses for a policy year exceed the total normal annual premiums for said years, all members of the specific pool's policy year may be subject to special assessment to make up the deficiency. The District has not been informed of any special assessments being required.

K. Long-Term Liabilities

A summary of long-term debt and transactions related thereto is as follows for the year ended June 30, 2017:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>(Reductions)</u>	<u>Ending Balance</u>	<u>Amount Due Within One Year</u>
2010 Energy Conservation Improvement QZAB Bond due through May 2020 in semi-annual installments of interest and annual principal payments of \$71,000 and interest rate of 6.0%.	\$ 284,000	\$ 0	\$ 71,000	\$ 213,000	\$ 71,000
2011 School Improvement QZAB bond due through November 2024 in annual installments of \$60,000 - \$65,000 beginning in 2020 and interest paid annually with rates ranging from 5.8% to 6.375%.	315,000	0	0	315,000	0

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	<u>Beginning Balance</u>	<u>Additions</u>	<u>(Reductions)</u>	<u>Ending Balance</u>	<u>Amount Due Within One Year</u>
2008 Refunding Bonds, due through May 2022 in semi-annual installments of interest and annual principal payments varying from \$760,000 to \$850,000 with interest rates ranging from 3.85% to 4.2%.	4,775,000	0	740,000	4,035,000	760,000
2012 School Technology and Equipment Bonds, due through May 2020 in semi-annual installments of interest and annual principal payments varying from \$160,000 - \$180,000 bearing interest rates ranging from 2.00% to 2.25%.	650,000	0	140,000	510,000	160,000
Compensated Absences	3,096	468	0	3,564	unknown
Net Pension Liability	7,635,840	789,883	695,738	7,729,985	unknown
Total Long-Term Debt	<u>\$13,662,936</u>	<u>\$ 790,351</u>	<u>\$ 1,646,738</u>	<u>\$12,806,549</u>	<u>\$ 991,000</u>

Annual debt service requirements to maturity for the above obligations except for compensated absences and net pension liability including both principal and interest, are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Amounts Payable</u>
2018	\$ 991,000	\$ 204,326	\$ 1,195,326
2019	1,026,000	167,606	1,193,606
2020	1,061,000	129,724	1,190,724
2021	890,000	87,274	977,274
2022	910,000	49,703	959,703
2023-2025	195,000	18,418	213,418
	<u>\$ 5,073,000</u>	<u>\$ 657,051</u>	<u>\$ 5,730,051</u>

Compensated absences and the net pension liability will be paid by the fund in which the employee worked, including the general fund and other governmental funds.

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L. Interfund Receivables and Payables

	INTERFUND RECEIVABLES	INTERFUND PAYABLES
General Fund	\$ 7,000	\$ 0
School Service Fund - Food Service	0	7,000
	\$ 7,000	\$ 7,000

The outstanding balances between funds result mainly from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made. All interfund balances outstanding at June 30, 2017 are expected to be repaid within one year.

M. Interfund Transfers

	TRANSFERS IN	TRANSFERS OUT
General Fund	\$ 0	\$ 78,017
Debt Retirement Fund - 2010 QZAB Bonds	74,228	0
Debt Retirement Fund - 2011 QZAB Bonds	3,789	0
	\$ 78,017	\$ 78,017

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

N. Related Party Transactions

The District paid for repair and maintenance services to a business owned by the superintendent's relative totaling \$25,099 for the year. In the opinion of management, such transactions were on substantially the same terms as those prevailing at the time of comparable transactions with other persons and did not present any other unfavorable features to the District.

O. Other Information

1. Commitments and Contingencies

Under the terms of various federal and state grants and regulatory requirements, periodic audits are required and certain cost may be questioned as not being appropriate expenditures under the terms of the grants and requirements. Such audits could lead to reimbursement of the grantor or regulatory agencies.

PELLSTON PUBLIC SCHOOLS
PELLSTON, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

However, management does not believe such disallowances, if any, would be material to the financial position of the District.

P. GASB Statement No. 77

Governmental Accounting Standards Board (GASB) Statement No. 77, *Tax Abatement Disclosures*, was issued by the GASB in August 2015 and is effective for the District's 2017 year-end. The Statement requires disclosure of tax abatement information about (1) a reporting government's own tax abatement agreements and (2) those that are entered into by other governments and that reduce the reporting government's tax revenues. This Statement requires governments that enter into tax abatement agreements to disclose the following information about the agreements in the footnotes of the financial statements:

- Brief descriptive information, such as the tax being abated, the authority under which tax abatements are provided, eligibility criteria, the mechanism by which taxes are abated, provisions for recapturing abated taxes, and the types of commitments made by tax abatement recipients.
- The gross dollar amount of taxes abated during the period.
- Commitments made by a government, other than to abate taxes, as part of a tax abatement agreement.

This statement is intended to enhance the user's ability on how tax abatements affect the reporting unit's financial positions and results of operations, including their ability to raise resources in the future. The School District has evaluated the effects of this statement and has determined that there are no disclosures required related to this statement, either due to the information being clearly immaterial or not applicable.

NOTE 3. UPCOMING ACCOUNTING PRONOUNCEMENTS

The District is currently evaluating the impact these standards will have on the financial statements when adopted.

Government Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, was issued by the GASB in June 2015 and will be effective for the District's 2018 fiscal year-end. The Statement requires governments that participate in defined postemployment benefit plans to report in their statement of net position a net postemployment benefit liability. The net postemployment benefit liability is the difference between the total postemployment benefit liability (the present value of projected benefit payments to employees based on their past service) and the assets (mostly investments reported at fair value) set aside in a trust and restricted to paying benefits to current employees, retirees, and their beneficiaries. Statement 75 requires cost-sharing employers to record a liability and expense equal to their proportionate share of the collective net postemployment benefit liability and expense for the cost-sharing plan. The Statement also will improve the comparability and consistency of how governments calculate the postemployment benefit liabilities and expense.

PELLSTON PUBLIC SCHOOLS
PELLSTON, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

GASB Statement No. 84, *Fiduciary Activities*, was issued by the GASB in January 2017 and will be effective for the District's 2020 fiscal year-end. The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This Statement establishes criteria for identifying fiduciary activities for all state and local governments. The focus on the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. An activity meeting the criteria should be reported in a fiduciary fund in the basic financial statements. Districts with activities meeting the criteria should present a statement of fiduciary net position and a statement of changes in fiduciary net position.

PELLSTON PUBLIC SCHOOLS

PELLSTON, MICHIGAN

REQUIRED SUPPLEMENTARY INFORMATION

BUDGETARY COMPARISON SCHEDULE

GENERAL FUND

YEAR ENDED JUNE 30, 2017

	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>
<u>REVENUES</u>			
Local Sources	\$ 2,933,607	\$ 3,076,386	\$ 3,088,079
State Sources	1,881,273	1,930,046	1,922,427
Federal Sources	326,877	309,267	309,267
Other Transactions	372,254	340,834	328,509
Total Revenues	5,514,011	5,656,533	5,648,282
<u>EXPENDITURES</u>			
Instruction			
Basic Programs	2,564,851	2,487,995	2,478,804
Added Needs	960,027	959,736	958,281
Supporting Services			
Pupil	179,777	179,827	178,954
Instructional Staff	33,426	12,516	12,109
General Administration	266,931	258,867	258,182
School Administration	367,821	383,122	381,873
Business	83,356	95,100	94,783
Operating and Maintenance	494,064	555,830	548,672
Pupil Transportation	270,565	272,445	270,539
Support Services Central	86,000	112,672	112,421
Other Support Services-Athletic Activities	135,356	136,557	136,033
Community Service	1,000	0	0
Total Expenditures	5,443,174	5,454,667	5,430,651
Excess (Deficiency) of Revenues Over (Under) Expenditures	70,837	201,866	217,631
<u>OTHER FINANCING SOURCES (USES)</u>			
Transfers Out	(78,740)	(78,800)	(78,017)
Net Change in Fund Balance	(7,903)	123,066	139,614
<u>FUND BALANCE</u> - Beginning of Year	909,554	922,935	922,935
<u>FUND BALANCE</u> - End of Year	\$ 901,651	\$ 1,046,001	\$ 1,062,549

PELLSTON PUBLIC SCHOOLS
PELLSTON, MICHIGAN

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
MICHIGAN PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM
LAST 10 FISCAL YEARS (AMOUNTS WERE DETERMINED AS OF 9/30 OF EACH FISCAL YEAR)
JUNE 30, 2017

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
District's proportion of net pension liability (%)								0.03098292%	0.03126236%	0.03468%
District's proportionate share of net pension liability								\$ 7,729,985	\$ 7,635,840	\$ 7,638,166
District's covered-employee payroll								2,624,060	2,611,091	2,946,069
District's proportionate share of net pension liability as a percentage of its covered-employee payroll								294.58%	292.44%	259.27%
Plan fiduciary net position as a percentage of total pension liability								63.27%	63.17%	66.20%

PELLSTON PUBLIC SCHOOLS
PELLSTON, MICHIGAN

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CONTRIBUTIONS

MICHIGAN PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM
LAST 10 FISCAL YEARS (AMOUNTS WERE DETERMINED AS OF 6/30 OF EACH FISCAL YEAR)
JUNE 30, 2017

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Statutorily required contributions								\$ 725,822	\$ 706,340	\$ 602,078
Contributions in relation to statutorily required contributions *								725,822	706,340	602,078
Contribution deficiency (excess)								\$ 0	\$ 0	\$ 0
Covered-Employee Payroll								\$ 2,487,953	\$ 2,551,205	\$ 2,659,133
Contributions as a percentage of covered-employee payroll								29.17%	27.69%	22.64%

* Contributions in relation to statutorily contributions are the contributions a reporting unit actually made to the System, as distinct from the statutorily required contributions.

PELLSTON PUBLIC SCHOOLS
PELLSTON, MICHIGAN

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR YEAR ENDED JUNE 30, 2017

A. Changes of Benefit Terms:

There were no changes of benefit terms for the plan year ended September 30, 2016.

B. Changes of Assumptions:

There were no changes of benefit assumptions for the plan year ended September 30, 2016.

PELLSTON PUBLIC SCHOOLS
PELLSTON, MICHIGAN
NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET

JUNE 30, 2017

	SPECIAL	DEBT SERVICE FUNDS			TOTAL NONMAJOR GOVERNMENTAL FUNDS
	REVENUE FUND	2012 SCHOOL TECHNOLOGY AND EQUIPMENT	2010 QZAB BONDS	2011 QZAB BONDS	
<u>ASSETS</u>					
Cash	\$ 67,589	\$ 21,661	\$ 0	\$ 0	\$ 89,250
Accounts Receivable	863	0	0	0	863
Due from Other Governments	5,276	0	0	0	5,276
Inventory	7,130	0	0	0	7,130
TOTAL ASSETS	\$ 80,858	\$ 21,661	\$ 0	\$ 0	\$ 102,519
<u>LIABILITIES AND FUND BALANCE</u>					
<u>LIABILITIES</u>					
Accrued Expenditures	\$ 160	\$ 0	\$ 0	\$ 0	\$ 160
Due to Other Funds	7,000	0	0	0	7,000
Salaries Payable	2,727	0	0	0	2,727
Unearned Revenue	1,121	0	0	0	1,121
Total Liabilities	11,008	0	0	0	11,008
<u>FUND BALANCE</u>					
Nonspendable:					
Inventory	7,130	0	0	0	7,130
Restricted:					
Debt Service	0	21,661	0	0	21,661
Food Service	62,720	0	0	0	62,720
Total Fund Balance	69,850	21,661	0	0	91,511
TOTAL LIABILITIES AND FUND BALANCE	\$ 80,858	\$ 21,661	\$ 0	\$ 0	\$ 102,519

PELLSTON PUBLIC SCHOOLS

PELLSTON, MICHIGAN

NONMAJOR GOVERNMENTAL FUNDS

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

YEAR ENDED JUNE 30, 2017

	SPECIAL REVENUE FUND	DEBT SERVICE FUNDS			TOTAL NONMAJOR GOVERNMENTAL FUNDS
		2012 SCHOOL TECHNOLOGY AND EQUIPMENT	2010 QZAB BONDS	2011 QZAB BONDS	
<u>REVENUES</u>					
Local Sources	\$ 64,850	\$ 167,435	\$ 0	\$ 0	\$ 232,285
State Sources	8,229	617	0	0	8,846
Federal Sources	222,021	0	14,912	15,895	252,828
Total Revenues	295,100	168,052	14,912	15,895	493,959
<u>EXPENDITURES</u>					
Food Service Activities					
Salaries	71,804	0	0	0	71,804
Employees Benefits	42,439	0	0	0	42,439
Purchased Services	22,419	0	0	0	22,419
Supplies, Materials and Other	135,673	0	0	0	135,673
Capital Outlay	28,049	0	0	0	28,049
Debt Service					
Principal	0	140,000	71,000	0	211,000
Interest and Fees	0	13,650	18,140	19,684	51,474
Total Expenditures	300,384	153,650	89,140	19,684	562,858
Excess of Revenues Over (Under) Expenditures	(5,284)	14,402	(74,228)	(3,789)	(68,899)
<u>OTHER FINANCING SOURCES (USES)</u>					
Transfers In/ (Out)	0	0	74,228	3,789	78,017
Net Change in Fund Balance	(5,284)	14,402	0	0	9,118
<u>FUND BALANCE</u> - Beginning of Year	75,134	7,259	0	0	82,393
<u>FUND BALANCE</u> - End of Year	\$ 69,850	\$ 21,661	\$ 0	\$ 0	\$ 91,511

PELLSTON PUBLIC SCHOOLS
PELLSTON, MICHIGAN

GENERAL FUND

BALANCE SHEET
JUNE 30, 2017

WITH COMPARATIVE TOTALS FOR JUNE 30, 2016

	<u>2017</u>	<u>2016</u>
<u>ASSETS</u>		
Cash and Cash Equivalents	\$ 284,377	\$ 459,690
Investments	925,572	617,189
Accounts Receivable	0	15,600
Due from Other Funds	7,000	0
Due from Other Governments	356,512	398,771
Prepaid Expenditures	2,416	0
Inventory	21,148	21,148
	<hr/>	<hr/>
TOTAL ASSETS	\$ 1,597,025	\$ 1,512,398
	<hr/>	<hr/>
<u>LIABILITIES AND FUND BALANCE</u>		
<u>LIABILITIES</u>		
Accounts Payable	\$ 65,071	\$ 62,013
Due to Other Funds	0	22,862
Unearned Revenue	96,276	80,189
Accrued Expenditures	120,787	147,846
Salaries Payable	252,342	276,553
	<hr/>	<hr/>
Total Liabilities	534,476	589,463
	<hr/>	<hr/>
<u>FUND BALANCE</u>		
Nonspendable:		
Inventory	21,148	21,148
Prepaid Expenditures	2,416	0
Committed:		
Facility Improvements	100,000	40,000
Assigned:		
Subsequent Years Budget Shortfall	0	7,903
Unassigned	938,985	853,884
	<hr/>	<hr/>
Total Fund Balance	1,062,549	922,935
	<hr/>	<hr/>
TOTAL LIABILITIES AND FUND BALANCE	\$ 1,597,025	\$ 1,512,398
	<hr/>	<hr/>

PELLSTON PUBLIC SCHOOLS
PELLSTON, MICHIGAN

GENERAL FUND

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

YEAR ENDED JUNE 30, 2017

WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2016

	2017	2016
<u>REVENUES</u>		
Local Sources	\$ 3,088,079	\$ 3,001,735
State Sources	1,922,427	2,020,585
Federal Sources	309,267	429,517
Other Transactions	328,509	302,972
	5,648,282	5,754,809
 <u>EXPENDITURES</u>		
Instruction		
Basic Programs		
Elementary	1,075,257	1,147,339
Middle School	512,981	569,267
High School	725,796	870,197
Pre-School	164,770	190,082
Summer School	0	18,875
Added Needs		
Special Education	356,299	322,076
Compensatory Education	390,099	384,560
Career and Technical Education	211,883	172,986
Supporting Services		
Pupil		
Guidance Services	71,858	67,285
Social Work Services	67,052	74,326
Other Pupil Services	40,044	43,156
Instructional Staff		
Improvement of Instruction	12,109	25,490
Technology Assisted Instruction	0	17,498
Supervision and Direction of Instructional Staff	0	12,726
General Administration		
Board of Education	21,732	28,455
Executive Administration	236,450	222,728
School Administration		
Office of the Principal	381,054	360,040
Other School Administration	819	472

PELLSTON PUBLIC SCHOOLS
PELLSTON, MICHIGAN

GENERAL FUND

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

YEAR ENDED JUNE 30, 2017

WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2016

	<u>2017</u>	<u>2016</u>
Business		
Fiscal Services	66,579	65,263
Other Business Services	28,204	21,259
Operation and Maintenance of Plant		
Operating Building Services	548,672	488,601
Pupil Transportation Services	270,539	234,639
Support Services Central		
Staff/Personnel Services	4,804	5,300
Information Management Services	107,617	74,160
Other Support Services		
Athletic Activities	136,033	121,579
Community Services		
Community Activities	0	502
Total Expenditures	<u>5,430,651</u>	<u>5,538,861</u>
Excess of Revenues Over (Under) Expenditures	217,631	215,948
<u>OTHER FINANCING SOURCES (USES)</u>		
Transfers Out	<u>(78,017)</u>	<u>(78,512)</u>
Net Change in Fund Balance	139,614	137,436
<u>FUND BALANCE</u> - Beginning of Year	<u>922,935</u>	<u>785,499</u>
<u>FUND BALANCE</u> - End of Year	<u>\$ 1,062,549</u>	<u>\$ 922,935</u>

PELLSTON PUBLIC SCHOOLS
PELLSTON , MICHIGAN

GENERAL FUND
ANALYSIS OF REVENUES AND OTHER FINANCING SOURCES

YEAR ENDED JUNE 30, 2017

WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2016

	<u>2017</u>	<u>2016</u>
<u>LOCAL SOURCES</u>		
Property Taxes	\$ 2,930,312	\$ 2,888,752
Charges for Services	22,734	21,199
Earnings on Investments and Deposits	8,641	1,557
Other Local Revenue	126,392	90,227
	<hr/>	<hr/>
Total Local Sources	3,088,079	3,001,735
	<hr/>	<hr/>
<u>STATE SOURCES</u>		
State Aid	1,637,123	1,718,389
Other State Revenue	285,304	302,196
	<hr/>	<hr/>
Total State Sources	1,922,427	2,020,585
	<hr/>	<hr/>
<u>FEDERAL SOURCES</u>		
Title I	208,860	270,748
Title II - Part A	52,745	27,473
Title VII - Indian Education	23,069	20,539
Temporary Assistance for Needy Families	23,828	25,733
Early Learning Enhancement	0	84,736
Other	765	288
	<hr/>	<hr/>
Total Federal Sources	309,267	429,517
	<hr/>	<hr/>
<u>OTHER TRANSACTIONS</u>		
Char-Em ISD	316,364	301,780
Other	12,145	1,192
	<hr/>	<hr/>
Total Other Transactions	328,509	302,972
	<hr/>	<hr/>
TOTAL REVENUES	\$ 5,648,282	\$ 5,754,809
	<hr/> <hr/>	<hr/> <hr/>

PELLSTON PUBLIC SCHOOLS
PELLSTON, MICHIGAN

GENERAL FUND
ANALYSIS OF EXPENDITURES AND OTHER FINANCING USES

YEAR ENDED JUNE 30, 2017

WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2016

	<u>2017</u>	<u>2016</u>
<u>INSTRUCTION</u>		
<u>Basic Programs</u>		
<u>Elementary</u>		
Salaries	\$ 609,166	\$ 660,520
Employee Benefits	453,170	475,023
Purchased Services	7,324	4,926
Supplies, Materials and Other	5,597	6,870
Total Elementary	<u>1,075,257</u>	<u>1,147,339</u>
<u>Middle School</u>		
Salaries	283,643	308,743
Employee Benefits	215,209	242,995
Purchased Services	11,647	16,035
Supplies, Materials and Other	2,482	1,494
Total Middle School	<u>512,981</u>	<u>569,267</u>
<u>High School</u>		
Salaries	371,507	424,154
Employee Benefits	282,292	318,274
Purchased Services	33,158	39,295
Supplies, Materials and Other	11,214	10,334
Payments to Other School Districts	27,625	78,140
Total High School	<u>725,796</u>	<u>870,197</u>
<u>Pre-School</u>		
Salaries	95,864	103,094
Employee Benefits	57,183	57,781
Purchased Services	1,976	7,186
Supplies, Materials and Other	9,747	22,021
Total Pre-School	<u>164,770</u>	<u>190,082</u>

PELLSTON PUBLIC SCHOOLS
PELLSTON, MICHIGAN

GENERAL FUND
ANALYSIS OF EXPENDITURES AND OTHER FINANCING USES

YEAR ENDED JUNE 30, 2017

WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2016

	<u>2017</u>	<u>2016</u>
<u>Summer School</u>		
Salaries	0	9,659
Employee Benefits	0	3,266
Purchased Services	0	5,950
Total Summer School	<u>0</u>	<u>18,875</u>
 <u>Added Needs</u>		
<u>Special Education</u>		
Salaries	190,544	169,376
Employee Benefits	148,183	139,006
Purchased Services	16,471	12,429
Supplies, Materials and Other	1,101	1,265
Total Special Education	<u>356,299</u>	<u>322,076</u>
 <u>Compensatory Education</u>		
Salaries	212,935	191,299
Employee Benefits	139,236	121,291
Purchased Services	35,915	63,028
Supplies, Materials and Other	2,013	8,942
Total Compensatory Education	<u>390,099</u>	<u>384,560</u>
 <u>Career and Technical Education</u>		
Salaries	45,539	56,396
Employee Benefits	34,626	44,797
Purchased Services	45,353	15,121
Supplies, Materials and Other	77,746	27,299
Capital Outlay	0	27,402
Payments to Other School Districts	8,619	1,971
Total Career and Technical Education	<u>211,883</u>	<u>172,986</u>

PELLSTON PUBLIC SCHOOLS
PELLSTON, MICHIGAN

GENERAL FUND
ANALYSIS OF EXPENDITURES AND OTHER FINANCING USES

YEAR ENDED JUNE 30, 2017

WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2016

	2017	2016
<u>SUPPORTING SERVICES</u>		
<u>Pupil</u>		
<u>Guidance Services</u>		
Salaries	42,888	42,000
Employee Benefits	28,303	25,178
Purchased Services	613	107
Supplies, Materials and Other	54	0
Total Guidance Services	71,858	67,285
 <u>Social Work Services</u>		
Salaries	40,036	46,092
Employee Benefits	27,016	28,234
Total Social Work Services	67,052	74,326
 <u>Other Pupil Services</u>		
Salaries	19,891	15,824
Employee Benefits	14,655	11,091
Purchased Services	5,498	16,241
Total Other Pupil Services	40,044	43,156
 <u>Instructional Staff</u>		
<u>Improvement of Instruction</u>		
Salaries	3,957	0
Employee Benefits	1,328	0
Purchased Services	3,493	20,964
Supplies, Materials and Other	225	40
Payments to Other School Districts	3,106	4,486
Total Improvement of Instruction	12,109	25,490
 <u>Technology Assisted Instruction</u>		
Supplies, Materials and Other	0	17,498
Total Technology Assisted Instruction	0	17,498

PELLSTON PUBLIC SCHOOLS
PELLSTON, MICHIGAN

GENERAL FUND
ANALYSIS OF EXPENDITURES AND OTHER FINANCING USES

YEAR ENDED JUNE 30, 2017

WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2016

	2017	2016
<u>Supervision and Direction of Instructional Staff</u>		
Salaries	0	9,040
Employee Benefits	0	3,686
Total Supervision and Direction of Instructional Staff	0	12,726
 <u>General Administration</u>		
<u>Board of Education</u>		
Salaries	3,090	3,150
Employee Benefits	236	241
Purchased Services	18,406	22,761
Supplies, Materials and Other	0	2,303
Total Board of Education	21,732	28,455
 <u>Executive Administration</u>		
Salaries	132,504	127,070
Employee Benefits	90,423	83,599
Purchased Services	5,705	5,203
Supplies, Materials and Other	7,818	6,856
Total Executive Administration	236,450	222,728
 <u>School Administration</u>		
<u>Office of the Principal</u>		
Salaries	211,555	200,205
Employee Benefits	150,692	140,908
Purchased Services	16,979	17,925
Supplies, Materials and Other	1,828	1,002
Total Office of the Principal	381,054	360,040
 <u>Other School Administration</u>		
Supplies, Materials and Other	819	472
Total Other School Administration	819	472

PELLSTON PUBLIC SCHOOLS
PELLSTON, MICHIGAN

GENERAL FUND
ANALYSIS OF EXPENDITURES AND OTHER FINANCING USES

YEAR ENDED JUNE 30, 2017

WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2016

	2017	2016
<u>Business</u>		
<u>Fiscal Services</u>		
Purchased Services	66,500	65,155
Supplies, Materials and Other	79	108
Total Fiscal Services	66,579	65,263
 <u>Other Business Services</u>		
Purchased Services	0	3,775
Supplies, Materials and Other	28,204	17,484
Total Other Business Services	28,204	21,259
 <u>Operation and Maintenance</u>		
<u>Operating Building Services</u>		
Salaries	2,593	2,943
Employee Benefits	1,252	1,423
Purchased Services	276,954	274,396
Supplies, Materials and Other	172,789	183,017
Capital Outlay	95,084	26,822
Total Operating Building Services	548,672	488,601
 <u>Pupil Transportation Services</u>		
Salaries	138,575	116,419
Employee Benefits	75,056	51,270
Purchased Services	12,461	22,916
Supplies, Materials and Other	44,447	44,034
Total Pupil Transportation Services	270,539	234,639
 <u>Support Services-Central</u>		
<u>Staff/Personnel Services</u>		
Purchased Services	4,740	5,235
Supplies, Materials and Other	64	65
Total Staff/Personnel Services	4,804	5,300

PELLSTON PUBLIC SCHOOLS
PELLSTON, MICHIGAN

GENERAL FUND
ANALYSIS OF EXPENDITURES AND OTHER FINANCING USES

YEAR ENDED JUNE 30, 2017

WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2016

	<u>2017</u>	<u>2016</u>
<u>Information Management Services</u>		
Purchased Services	67,374	66,782
Supplies, Materials and Other	1,835	7,378
Capital Outlay	38,408	0
Total Information Management Services	<u>107,617</u>	<u>74,160</u>
<u>Other Support Services</u>		
<u>Athletic Activities</u>		
Salaries	20,757	12,076
Employee Benefits	16,910	11,920
Purchased Services	81,439	83,569
Supplies, Materials and Other	15,143	13,348
Capital Outlay	1,784	666
Total Athletic Activities	<u>136,033</u>	<u>121,579</u>
<u>COMMUNITY SERVICES</u>		
<u>Community Activities</u>		
Supplies, Materials and Other	0	502
Total Community Recreation	<u>0</u>	<u>502</u>
Total Expenditures	<u>5,430,651</u>	<u>5,538,861</u>
<u>OTHER FINANCING USES</u>		
<u>Operating Transfers Out</u>		
2011 QZAB Bonds Debt Service Fund	3,789	3,772
2010 QZAB Bonds Debt Service Fund	74,228	74,740
Total Other Financing Uses	<u>78,017</u>	<u>78,512</u>
TOTAL EXPENDITURES AND OTHER FINANCING USES	<u>\$ 5,508,668</u>	<u>\$ 5,617,373</u>

PELLSTON PUBLIC SCHOOLS

PELLSTON, MICHIGAN

AGENCY FUND

STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND BALANCE

YEAR ENDED JUNE 30, 2017

	<u>BALANCE</u>	<u>RECEIPTS</u>	<u>DISBURSEMENTS</u>	<u>BALANCE</u>
	<u>6/30/16</u>	<u>(Including Transfers)</u>		<u>6/30/17</u>
Cadwell Scholarship	\$ 15,159	\$ 0	\$ 1,000	\$ 14,159
Hayes Scholarship	2,101	0	900	1,201
Johnson Scholarship	4,000	0	0	4,000
Sports Concessions	17,106	25,725	27,383	15,448
Athletic General	189	15	204	0
Band Boosters	1,518	0	0	1,518
Beverage Consortium	288	36	200	124
MS-HS Christmas	63	100	163	0
Elem. Social Fund	155	250	125	280
Elem. Teachers Pop	264	102	0	366
Elementary Principal	234	131	90	275
Interest and Miscellaneous	141	476	162	455
MS/HS Principal	170	110	20	260
Middle School/High School Social Fund	311	0	64	247
Central Office	621	0	0	621
Learning Support SP Needs	278	466	325	419
Safety Sam	559	0	559	0
Science/Trout	189	2,810	2,571	428
Athletic Discretionary	5,261	1,046	5,230	1,077
Support Staff Fund	131	0	110	21
Woodshop	(51)	2,450	1,141	1,258
Art	3,152	3,144	2,215	4,081
Athletic Fundraising	5,123	3,522	8,300	345
Class of 2012	394	0	394	0
Class of 2013	1,180	0	1,180	0
Class of 2014	300	0	300	0
Class of 2015	387	0	387	0
Class of 2016	203	0	0	203
Class of 2017	487	187	374	300
Class of 2018	1,538	4,710	5,409	839
Elementary Drama	2,363	1,732	1,771	2,324
Elementary School Cash	63	1,118	406	775
Class of 2019	963	939	400	1,502
Class of 2020	82	1,000	91	991
First Grade	1,290	984	1,649	625
Fourth Grade	330	1,047	837	540
High School Drama	299	0	0	299
High School Student Council	442	1,918	1,471	889
Kindergarten	1,505	1,405	1,589	1,321
Math Department	989	601	647	943
Middle School Student Council	196	422	300	318

PELLSTON PUBLIC SCHOOLS

PELLSTON, MICHIGAN

AGENCY FUND

STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND BALANCE

YEAR ENDED JUNE 30, 2017

	<u>BALANCE</u>	<u>RECEIPTS</u>	<u>DISBURSEMENTS</u>	<u>BALANCE</u>
	<u>6/30/16</u>	<u>(Including Transfers)</u>		<u>6/30/17</u>
National Honors Society	958	1,458	2,172	244
Preschool	623	90	0	713
Robotics	1,164	13,775	11,147	3,792
Second Grade	2,402	1,259	2,484	1,177
Ski Club	831	6,255	6,800	286
Start	1,009	1,753	1,701	1,061
Student Flow	2,639	4,773	4,741	2,671
Third Grade	384	986	773	597
Yearbook	2,005	2,038	2,329	1,714
Youth Enrichment Homeless	557	508	308	757
John Mclarty Family Scholarship	8,500	0	0	8,500
Class of 2021	540	355	0	895
Class of 2022	624	109	81	652
Football	1,898	2,514	2,672	1,740
Basebass	672	3,122	2,897	897
Volleyball	1,758	21,917	21,484	2,191
Softball	2,400	5,031	5,442	1,989
Girls Basketball	1,819	2,876	1,768	2,927
Track	3,124	2,064	2,395	2,793
Boys Basketball	4,985	23,430	26,042	2,373
Bleacher Field House	0	10,425	6,000	4,425
Class 2023	0	3,302	3,302	0
5th grade	53	830	620	263
6th Grade	0	525	0	525
Parent Class 2027	0	1,112	801	311
Employee Wellness	0	5,000	4,115	885
Gene Haas Scholarship	0	1,000	0	1,000
Wrestling	0	333	294	39
	<u>\$ 108,918</u>	<u>\$ 173,286</u>	<u>\$ 178,335</u>	<u>\$ 103,869</u>

Represented by

Assets		
Cash and Cash Equivalents	\$ 14,600	\$ 27,073
Investments	<u>94,318</u>	<u>79,881</u>
Total Assets	<u>\$ 108,918</u>	<u>106,954</u>
Liabilities		
Accounts Payable	\$ 0	\$ 3,085
Due to Groups and Organizations	<u>108,918</u>	<u>103,869</u>
Total Liabilities	<u>\$ 108,918</u>	<u>\$ 106,954</u>

PELLSTON PUBLIC SCHOOLS
PELLSTON, MICHIGAN

SCHEDULE OF BONDS PAYABLE
JUNE 30, 2017

<u>TITLE OF ISSUE</u>	2008 General Obligation Refundable Bonds		
<u>DATE OF ISSUE</u>	September 29, 2008		
<u>INTEREST PAYABLE</u>	May 1, and November 1 of each year		
<u>AMOUNT OF ISSUE</u>		\$	7,940,000
<u>AMOUNT REDEEMED</u>			
Redeemed Prior to Current Year	\$		3,165,000
Redeemed During Current Year		740,000	3,905,000
			3,905,000
<u>BALANCE OUTSTANDING - June 30, 2017</u>		\$	4,035,000

<u>DUE DATES</u>	<u>INTEREST RATES</u>	<u>REQUIREMENTS</u>		
		<u>TOTAL</u>	<u>INTEREST</u>	<u>PRINCIPAL</u>
November 1, 2017	3.8500%	\$ 80,806	\$ 80,806	\$ 0
May 1, 2018	3.8500%	840,806	80,806	760,000
November 1, 2018	3.8500%	66,176	66,176	0
May 1, 2019	3.8500%	851,176	66,176	785,000
November 1, 2019	4.0000%	51,065	51,065	0
May 1, 2020	4.0000%	861,065	51,065	810,000
November 1, 2020	4.1000%	34,865	34,865	0
May 1, 2021	4.1000%	864,865	34,865	830,000
November 1, 2021	4.2000%	17,850	17,850	0
May 1, 2022	4.2000%	867,850	17,850	850,000
		\$ 4,536,524	\$ 501,524	\$ 4,035,000

PELLSTON PUBLIC SCHOOLS
PELLSTON, MICHIGAN

SCHEDULE OF BONDS PAYABLE
JUNE 30, 2017

<u>TITLE OF ISSUE</u>	2010 School Improvement Bond		
<u>DATE OF ISSUE</u>	December 29, 2010		
<u>INTEREST PAYABLE</u>	May 1, and November 1 of each year		
<u>AMOUNT OF ISSUE</u>	\$		710,000
<u>AMOUNT REDEEMED</u>			
Redeemed Prior to Current Year	\$	426,000	
Redeemed During Current Year		71,000	497,000
<u>BALANCE OUTSTANDING - June 30, 2017</u>	\$		<u>213,000</u>

<u>DUE DATES</u>	<u>INTEREST</u>	<u>REQUIREMENTS</u>		
	<u>RATES</u>	<u>TOTAL</u>	<u>INTEREST</u>	<u>PRINCIPAL</u>
November 1, 2017	6.0000%	\$ 6,390	\$ 6,390	\$ 0
May 1, 2018	6.0000%	77,390	6,390	71,000
November 1, 2018	6.0000%	4,260	4,260	0
May 1, 2019	6.0000%	75,260	4,260	71,000
November 1, 2019	6.0000%	2,130	2,130	0
May 1, 2020	6.0000%	73,130	2,130	71,000
		\$ 238,560	\$ 25,560	\$ 213,000

PELLSTON PUBLIC SCHOOLS
PELLSTON, MICHIGAN

SCHEDULE OF BONDS PAYABLE
JUNE 30, 2017

<u>TITLE OF ISSUE</u>	2011 School Improvement Bond		
<u>DATE OF ISSUE</u>	March 3, 2011		
<u>INTEREST PAYABLE</u>	May 1, and November 1 of each year		
<u>AMOUNT OF ISSUE</u>	\$		315,000
<u>AMOUNT REDEEMED</u>			
Redeemed Prior to Current Year	\$	0	
Redeemed During Current Year		0	0
<u>BALANCE OUTSTANDING - June 30, 2017</u>	\$		<u>315,000</u>

<u>DUE DATES</u>	<u>INTEREST</u>	<u>REQUIREMENTS</u>		
	<u>RATES</u>	<u>TOTAL</u>	<u>INTEREST</u>	<u>PRINCIPAL</u>
November 1, 2017		\$ 9,642	\$ 9,642	\$ 0
May 1, 2018		9,642	9,642	0
November 1, 2018		9,642	9,642	0
May 1, 2019		9,642	9,642	0
November 1, 2019		9,642	9,642	0
May 1, 2020		9,642	9,642	0
November 1, 2020	5.8000%	69,642	9,642	60,000
May 1, 2021	5.8000%	7,902	7,902	0
November 1, 2021	6.0000%	67,902	7,902	60,000
May 1, 2022	6.0000%	6,101	6,101	0
November 1, 2022	6.2000%	71,102	6,102	65,000
May 1, 2023	6.2000%	4,086	4,086	0
November 1, 2023	6.2000%	69,087	4,087	65,000
May 1, 2024	6.2000%	2,071	2,071	0
November 1, 2024	6.3750%	67,072	2,072	65,000
		<u>\$ 422,817</u>	<u>\$ 107,817</u>	<u>\$ 315,000</u>

PELLSTON PUBLIC SCHOOLS
PELLSTON, MICHIGAN

SCHEDULE OF BONDS PAYABLE
JUNE 30, 2017

<u>TITLE OF ISSUE</u>	2012 School Technology and Equipment Bonds		
<u>DATE OF ISSUE</u>	November 6, 2012		
<u>INTEREST PAYABLE</u>	May 1, and November 1 of each year		
<u>AMOUNT OF ISSUE</u>	\$		770,000
<u>AMOUNT REDEEMED</u>			
Redeemed Prior to Current Year	\$	120,000	
Redeemed During Current Year		140,000	260,000
<u>BALANCE OUTSTANDING - June 30, 2017</u>	\$		510,000

<u>DUE DATES</u>	<u>INTEREST RATES</u>	<u>REQUIREMENTS</u>		
		<u>TOTAL</u>	<u>INTEREST</u>	<u>PRINCIPAL</u>
November 1, 2017	2.0000%	\$ 5,325	\$ 5,325	\$ 0
May 1, 2018	2.0000%	165,325	5,325	160,000
November 1, 2018	2.0000%	3,725	3,725	0
May 1, 2019	2.0000%	173,725	3,725	170,000
November 1, 2019	2.2500%	2,025	2,025	0
May 1, 2020	2.2500%	182,025	2,025	180,000
		\$ 532,150	\$ 22,150	\$ 510,000

