

PELLSTON PUBLIC SCHOOLS
REPORT ON FINANCIAL STATEMENTS
(with required supplementary and additional information)
JUNE 30, 2018



Baird, Cotter & Bishop, P.C.
SERVING YOUR PAST, PRESENT & FUTURE

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PELLSTON PUBLIC SCHOOLS
PELLSTON, MICHIGAN

ANNUAL FINANCIAL REPORT
YEAR ENDED JUNE 30, 2018

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August 3, 2018

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, 2018, 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, 2018, 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.

Emphasis of Matter – Change in Accounting Principle

As discussed in Note 3.P to the financial statements, Pellston Public Schools implemented Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Our opinion is not modified with respect to this matter.

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 pension contributions, schedule of proportionate share of the net OPEB liability, schedule of OPEB contributions, and notes to required supplementary information on pages iv through xi and 37 through 42 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 August 3, 2018, 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, 2018

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, 2018. 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 \$10,024,626 creating a deficit net position. Of this amount net capital assets net of related debt was a negative \$1,520,610.
- The government's total net deficit decreased by \$1,003,528.

Fund Level

- As of the close of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$1,455,669, an increase of \$199,803 in comparison with the prior year.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$1,085,689.

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, 2018

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. 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 9-36 of this report.

PELLSTON PUBLIC SCHOOLS
PELLSTON, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED JUNE 30, 2018

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. The prior year has not been restated to include the new GASB No. 75 Standards—*Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*:

| | <u>2018</u> | <u>2017</u> |
|---|------------------------|-----------------------|
| Assets | | |
| Current Assets | \$ 2,220,847 | \$ 1,794,350 |
| Capital Assets, Net of Accumulated Depreciation | 2,584,280 | 2,938,480 |
| Total Assets | <u>4,805,127</u> | <u>4,732,830</u> |
| Deferred Outflows of Resources | <u>1,783,357</u> | <u>1,074,059</u> |
| Liabilities | | |
| Current Liabilities | 1,819,112 | 1,563,538 |
| Long-Term Liabilities | 13,401,390 | 11,844,839 |
| Total Liabilities | <u>15,220,502</u> | <u>13,408,377</u> |
| Deferred Inflow of Resources | <u>1,392,608</u> | <u>781,470</u> |
| Net Position | | |
| Net Investment in Capital Assets (Deficit) | (1,520,610) | (2,163,810) |
| Restricted for Specific Purposes | 112,110 | 89,413 |
| Unrestricted (Deficit) | (8,616,126) | (6,308,561) |
| Total Net Position (Deficit) | <u>\$ (10,024,626)</u> | <u>\$ (8,382,958)</u> |

Analysis of Financial Position

During the fiscal year ended June 30, 2018, the District's net position increased by \$1,003,528. 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, 2018

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, 2018, \$412,512 was recorded for depreciation expense.

2. Pension and Other Postemployment Benefits 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, 2018, the District reported an increase in net position related to GASB 68 and 75, which indicates that the District's proportionate share of the net pension and OPEB liability has decreased.

3. Capital Outlay Acquisitions

For the fiscal year ended June 30, 2018, \$58,312 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 \$354,200 for the fiscal year ended June 30, 2018.

Change in Net Position

The following schedule summarizes the results of operations, on a district-wide basis, for the fiscal year ended June 30. The prior year has not been restated to include the new GASB No. 75 Standards—*Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*:

| | <u>2018</u> | <u>2017</u> |
|----------------------|------------------|------------------|
| Revenues | | |
| Program Revenues | | |
| Charges for Services | \$ 121,612 | \$ 132,528 |
| Operating Grants | 1,922,250 | 1,748,323 |
| Capital Grants | 28,524 | 30,545 |
| General Revenues | | |
| Property Taxes | 4,111,228 | 4,008,868 |
| Investment Earnings | 23,472 | 9,323 |
| State Sources | 921,222 | 1,053,973 |
| Other | 17,739 | 43,172 |
| Total Revenues | <u>7,146,047</u> | <u>7,026,732</u> |

PELLSTON PUBLIC SCHOOLS
PELLSTON, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED JUNE 30, 2018

| | 2018 | 2017 |
|---|------------------|------------------|
| Expenses | | |
| Instruction | 3,377,126 | 3,241,735 |
| Supporting Services | 1,805,855 | 1,802,959 |
| Food Service Activities | 336,613 | 266,039 |
| Community Services | 2,690 | 0 |
| Interest on Long-Term Debt | 207,723 | 243,469 |
| Unallocated Depreciation | 412,512 | 410,032 |
| | 6,142,519 | 5,964,234 |
| Total Expenses | | |
| Change in Net Position | 1,003,528 | 1,062,498 |
| <u>Net Position</u> (Deficit) - (As Restated) - Beginning of Year | (11,028,154) | (9,445,456) |
| <u>Net Position</u> (Deficit) - End of Year | \$ (10,024,626) | \$ (8,382,958) |

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:

| | 2018 | 2017 | Increase (Decrease) |
|--------------------------------------|---------------------|---------------------|--------------------------------|
| Major Funds | | | |
| General Fund | \$ 1,240,630 | \$ 1,062,549 | \$ 178,081 |
| 2008 Refunding Debt | 119,990 | 101,806 | 18,184 |
| Nonmajor Funds | | | |
| Food Service | 74,995 | 69,850 | 5,145 |
| 2012 School Technology and Equipment | 20,054 | 21,661 | (1,607) |
| 2010 QZAB Bonds | 0 | 0 | 0 |
| 2011 QZAB Bonds | 0 | 0 | 0 |
| | \$ 1,455,669 | \$ 1,255,866 | \$ 199,803 |
| Total Governmental Funds | | | |

In 2017-2018, the General Fund balance increased primarily due to having one less principal than the prior year.

The 2008 Refunding Fund increased its fund balance because taxes received were in excess of debt payments due.

The Food Service Fund had a small increase in fund balance. This is related to increased lunch rates over the past few years.

PELLSTON PUBLIC SCHOOLS
PELLSTON, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED JUNE 30, 2018

The 2012 School Technology and Equipment decreased its fund balance due to debt service payments being slightly higher 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 2017-2018 fiscal year, the District amended the general fund budget throughout the fiscal year. The following schedule shows a comparison of the original general fund budget, the final amended general fund budget and actual totals from operations:

| | <u>ORIGINAL BUDGET</u> | <u>FINAL BUDGET</u> | <u>ACTUAL</u> |
|---|----------------------------|----------------------------|----------------------------|
| <u>REVENUES AND OTHER SOURCES</u> | <u>\$ 5,425,558</u> | <u>\$ 5,683,795</u> | <u>\$ 5,641,501</u> |
| <u>EXPENDITURES AND OTHER USES</u> | | | |
| Instruction | \$ 3,347,847 | \$ 3,395,255 | \$ 3,391,446 |
| Supporting Services | 1,962,981 | 2,008,487 | 1,991,843 |
| Community Services | 0 | 2,800 | 2,690 |
| Transfers and Other Transactions | 78,740 | 77,441 | 77,441 |
| Total Expenditures and Other Uses | <u>\$ 5,389,568</u> | <u>\$ 5,483,983</u> | <u>\$ 5,463,420</u> |

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, 2018, amounted to \$2,584,280 (net of accumulated depreciation). This investment in capital assets includes land and improvements, buildings and improvements, vehicles and equipment.

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

| | <u>2018</u> | <u>2017</u> |
|----------------------------|----------------------------|----------------------------|
| Land and Improvements | \$ 438,500 | \$ 440,250 |
| Buildings and Improvements | 1,646,040 | 1,897,959 |
| Vehicles | 285,000 | 346,308 |
| Equipment | 214,740 | 253,963 |
| Total Capital Assets | <u>\$ 2,584,280</u> | <u>\$ 2,938,480</u> |

PELLSTON PUBLIC SCHOOLS
PELLSTON, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED JUNE 30, 2018

Additions to capital assets included:

- Library Carpet - \$12,835
- Stage Curtains - \$14,786
- GSRP Improvements - \$6,000
- Weight Room Equipment - \$24,691

The District committed to purchasing new bleachers at a cost of \$65,348.

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 \$14,427,390, 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 2018-2019 fiscal year budget.

- The District is anticipating a declining enrollment State Aid Membership blend to 507 students this fall, a slight decrease from the 2017-2018 membership blend. Overall, enrollment numbers for the District continue to steadily decline at approximately 2-4% annually, thus impacting the overall district budget. Despite declining enrollment, the District will continue to focus and ensure the provision of 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 2018-2019 was developed using the following assumption: The State foundation grant will increase by \$240 per pupil, using the 2x formula, minimum foundation allowance of \$7,871.
- The District will host three pre-school classrooms in 2018-2019 utilizing General Fund, Regional Enhancement Millage funds and Great Start Readiness Program (GSRP) Funds. Funding from these sources 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.
- In the area of employee health insurance, the Board continues to support employee health insurance up to the mandated Hard Cap annually. Any potential balance of the premium and any incurred HSA costs is being paid through employee payroll deduction when applicable.

PELLSTON PUBLIC SCHOOLS
PELLSTON, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED JUNE 30, 2018

- Professional staff negotiations reflect a new contract (September 1, 2018-August 31, 2021) for the Pellston Education Association, professional staff increases are reflected with annual increases of steps and 2%, 1%, and 1% respectively. Additionally, employees will have the opportunity to invest a minimum of 4% of their gross salary and receive a 2% match by the district.
- The District has projected revenues to be approximately \$5.9 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 30 full-time teachers to service students in K-12.
- For the 2018-2019 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.
- During the fall of 2017, voters within the local CharEm ISD approved funding a ten-year Regional Enhancement Millage. Annually, these funds will support Pellston Public Schools with an approximate \$340,000 in revenue. Annually a transparency report will be available on the district website reflecting the expenditures of these funds. Such anticipated expenditures will include, but are not limited to; part-time music programming at the elementary school, purchase of new school bus, building upgrades such as new carpet on district classrooms, and preschool programming.

In an ongoing effort to provide students with vocational opportunities at the high school level, during the 2018-2019 year the District will maintain the following Career and Technical Education Programming: Aviation & Aeronautics Technology (shared program with two other local school districts), 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, 2018

ASSETS

CURRENT ASSETS

| | |
|----------------------------|------------|
| Cash and Cash Equivalents | \$ 312,641 |
| Investments | 1,523,104 |
| Accounts Receivable | 1,717 |
| Due from Other Governments | 329,008 |
| Prepaid Expenses | 25,135 |
| Inventories | 29,242 |
| | <hr/> |
| Total Current Assets | 2,220,847 |

NON CURRENT ASSETS

| | |
|-------------------------------|--------------------|
| Capital Assets | 15,628,313 |
| Less Accumulated Depreciation | <hr/> (13,044,033) |
| Total Non Current Assets | <hr/> 2,584,280 |
| Total Assets | <hr/> 4,805,127 |

DEFERRED OUTFLOWS OF RESOURCES

| | |
|---|-----------|
| Deferred Outflows of Resources Related to Pensions | 1,572,471 |
| Deferred Outflows of Resources Related to Other Postemployment Benefits | 157,023 |
| Deferred Charge on Refunding | 53,863 |
| | <hr/> |
| Total Deferred Outflows of Resources | 1,783,357 |

LIABILITIES

CURRENT LIABILITIES

| | |
|--|-----------|
| Accounts Payable | 49,780 |
| Due to Other Governments | 45,774 |
| Accrued Expenses | 163,423 |
| Accrued Interest | 27,934 |
| Salaries Payable | 279,503 |
| Unearned Revenue | 226,698 |
| Current Portion of Non Current Liabilities | 1,026,000 |
| | <hr/> |
| Total Current Liabilities | 1,819,112 |

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

PELLSTON PUBLIC SCHOOLS
PELLSTON, MICHIGAN

STATEMENT OF NET POSITION

JUNE 30, 2018

NON CURRENT LIABILITIES

| | |
|---|-----------------------|
| Bonds Payable - Net | 4,104,890 |
| Compensated Absences | 3,364 |
| Net Pension Liability | 7,686,193 |
| Net Other Postemployment Benefits Liability | 2,632,943 |
| Less Current Portion of Non Current Liabilities | <u>(1,026,000)</u> |
| Total Non Current Liabilities | <u>13,401,390</u> |
| Total Liabilities | <u>15,220,502</u> |

DEFERRED INFLOWS OF RESOURCES

| | |
|--|----------------------|
| Deferred Inflows of Resources Related to Pensions | 1,299,935 |
| Deferred Inflows of Resources Related to Other Postemployment Benefits | <u>92,673</u> |
| Total Deferred Inflows of Resources | <u>1,392,608</u> |

NET POSITION

| | |
|--|----------------------------|
| Net Investment in Capital Assets (Deficit) | (1,520,610) |
| Restricted for Debt Service | 112,110 |
| Unrestricted (Deficit) | <u>(8,616,126)</u> |
| TOTAL NET POSITION - (DEFICIT) | <u>\$ (10,024,626)</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, 2018

| <u>FUNCTIONS/PROGRAMS</u> | <u>EXPENDITURES</u> | <u>PROGRAM REVENUES</u> | | | <u>GOVERNMENTAL ACTIVITIES NET (EXPENSE) REVENUE AND CHANGES IN NET POSITION</u> |
|---|---------------------|---------------------------------|-----------------------------|---------------------------|--|
| | | <u>CHARGES FOR SERVICES</u> | <u>OPERATING GRANTS</u> | <u>CAPITAL GRANTS</u> | |
| <u>GOVERNMENTAL ACTIVITIES</u> | | | | | |
| Instruction | \$ 3,377,126 | \$ 6,466 | \$ 1,246,733 | \$ 0 | \$ (2,123,927) |
| Supporting Services | 1,805,855 | 69,641 | 382,406 | 28,524 | (1,325,284) |
| Food Service Activities | 336,613 | 45,505 | 263,298 | 0 | (27,810) |
| Community Services | 2,690 | 0 | 2,690 | 0 | 0 |
| Interest on Long-Term Debt | 207,723 | 0 | 27,123 | 0 | (180,600) |
| Unallocated Depreciation | 412,512 | 0 | 0 | 0 | (412,512) |
| | | | | | |
| TOTAL GOVERNMENTAL ACTIVITIES | \$ 6,142,519 | \$ 121,612 | \$ 1,922,250 | \$ 28,524 | (4,070,133) |
| <u>GENERAL REVENUES</u> | | | | | |
| Property Taxes - Levied for General Purposes | | | | | 3,006,210 |
| Property Taxes - Levied for Debt Service | | | | | 1,105,018 |
| Investment Earnings | | | | | 23,472 |
| State Sources | | | | | 921,222 |
| Other | | | | | 17,739 |
| | | | | | |
| Total General Revenues | | | | | 5,073,661 |
| | | | | | |
| Change in Net Position | | | | | 1,003,528 |
| | | | | | |
| <u>NET POSITION</u> - Beginning of Year - (As Restated) - (Deficit) | | | | | (11,028,154) |
| | | | | | |
| <u>NET POSITION</u> - End of Year - (Deficit) | | | | | \$ (10,024,626) |

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

PELLSTON PUBLIC SCHOOLS
PELLSTON, MICHIGAN

BALANCE SHEET
GOVERNMENTAL FUNDS

JUNE 30, 2018

| | 2008 REFUNDING DEBT | OTHER NONMAJOR GOVERNMENTAL | TOTAL GOVERNMENTAL |
|--|---------------------------|-----------------------------------|-----------------------|
| <u>ASSETS</u> | GENERAL FUND | RETIREMENT FUND | FUNDS FUNDS |
| Cash and Cash Equivalents | \$ 131,833 | \$ 119,990 | \$ 60,818 |
| Investments | 1,523,104 | 0 | 0 |
| Accounts Receivable | 0 | 0 | 1,717 |
| Due from Other Funds | 0 | 0 | 29,411 |
| Due from Other Governments | 324,322 | 0 | 4,686 |
| Prepaid Expenditures | 25,135 | 0 | 0 |
| Inventory | 23,185 | 0 | 6,057 |
| TOTAL ASSETS | \$ 2,027,579 | \$ 119,990 | \$ 102,689 |
| | | | \$ 2,250,258 |
| <u>LIABILITIES AND FUND BALANCES</u> | | | |
| <u>LIABILITIES</u> | | | |
| Accounts Payable | \$ 48,680 | \$ 0 | \$ 1,100 |
| Due to Other Funds | 29,411 | 0 | 0 |
| Due to Other Governments | 45,774 | 0 | 0 |
| Accrued Expenditures | 163,078 | 0 | 345 |
| Salaries Payable | 275,909 | 0 | 3,594 |
| Unearned Revenue | 224,097 | 0 | 2,601 |
| Total Liabilities | 786,949 | 0 | 7,640 |
| <u>FUND BALANCE</u> | | | |
| Nonspendable: | | | |
| Inventory | 23,185 | 0 | 6,057 |
| Prepaid Expenditures | 25,135 | 0 | 0 |
| Restricted: | | | |
| Debt Service | 0 | 119,990 | 20,054 |
| Food Service | 0 | 0 | 68,938 |
| Committed: | | | |
| Facility Improvements | 100,000 | 0 | 0 |
| Assigned: | | | |
| Field Trips | 6,621 | 0 | 0 |
| Unassigned | 1,085,689 | 0 | 0 |
| Total Fund Balances | 1,240,630 | 119,990 | 95,049 |
| TOTAL LIABILITIES AND FUND BALANCES | \$ 2,027,579 | \$ 119,990 | \$ 102,689 |
| | | | \$ 2,250,258 |

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, 2018

| | | |
|---|----|----------------------------|
| Total Governmental Fund Balances | \$ | 1,455,669 |
| 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 | \$ | 15,628,313 |
| Accumulated depreciation is | | <u>(13,044,033)</u> |
| | | 2,584,280 |
| 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 | | 53,863 |
| Bond Discount (Premium) | | (22,890) |
| Long-term liabilities are not due and payable in the current period and are not reported in the funds. | | |
| Bonds Payable | | (4,082,000) |
| Compensated Absences | | (3,364) |
| Net Pension Liability | | (7,686,193) |
| Other Postemployment Liability | | (2,632,943) |
| Deferred outflows and (inflows) of resources related to pensions and other postemployment benefits are applicable to future periods and, therefore, are not | | |
| Deferred Outflows of Resources - Related to Pensions | | 1,572,471 |
| Deferred Inflows of Resources - Related to Pensions | | (1,299,935) |
| Deferred Outflows of Resources - Related to Other Postemployment Benefits | | 157,023 |
| Deferred Inflows of Resources - Related to Other Postemployment Benefits | | (92,673) |
| Accrued interest is not included as a liability in governmental funds, it is recorded when paid. | | <u>(27,934)</u> |
| NET POSITION OF GOVERNMENTAL ACTIVITIES | \$ | <u><u>(10,024,626)</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, 2018

| | 2008 REFUNDING DEBT GENERAL FUND | 2008 REFUNDING DEBT RETIREMENT FUND | OTHER NONMAJOR GOVERNMENTAL FUNDS | TOTAL GOVERNMENTAL FUNDS |
|--|--|---|--|--------------------------------|
| <u>REVENUES</u> | | | | |
| Local Sources | \$3,148,270 | \$ 937,087 | \$ 223,454 | \$ 4,308,811 |
| State Sources | 1,947,245 | 3,460 | 13,941 | 1,964,646 |
| Federal Sources | 226,098 | 0 | 277,103 | 503,201 |
| Other Transactions | 319,888 | 0 | 0 | 319,888 |
| Total Revenues | <u>5,641,501</u> | <u>940,547</u> | <u>514,498</u> | <u>7,096,546</u> |
| <u>EXPENDITURES</u> | | | | |
| Instruction | 3,391,446 | 0 | 0 | 3,391,446 |
| Supporting Services | 1,991,843 | 0 | 0 | 1,991,843 |
| Community Service | 2,690 | 0 | 0 | 2,690 |
| Food Service Activities | 0 | 0 | 312,987 | 312,987 |
| Debt Service | | | | |
| Principal | 0 | 760,000 | 231,000 | 991,000 |
| Interest and Fees | 0 | 162,363 | 44,414 | 206,777 |
| Total Expenditures | <u>5,385,979</u> | <u>922,363</u> | <u>588,401</u> | <u>6,896,743</u> |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | <u>255,522</u> | <u>18,184</u> | <u>(73,903)</u> | <u>199,803</u> |
| <u>OTHER FINANCING SOURCES (USES)</u> | | | | |
| Transfers In | 0 | 0 | 77,441 | 77,441 |
| Transfers Out | (77,441) | 0 | 0 | (77,441) |
| Total Other Financing Sources (Uses) | <u>(77,441)</u> | <u>0</u> | <u>77,441</u> | <u>0</u> |
| Net Change in Fund Balance | 178,081 | 18,184 | 3,538 | 199,803 |
| <u>FUND BALANCE</u> - Beginning of Year | <u>1,062,549</u> | <u>101,806</u> | <u>91,511</u> | <u>1,255,866</u> |
| <u>FUND BALANCE</u> - End of Year | <u>\$1,240,630</u> | <u>\$ 119,990</u> | <u>\$ 95,049</u> | <u>\$ 1,455,669</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, 2018

| | |
|---|---------------------|
| Net Change in Fund Balances Total Governmental Funds | \$ 199,803 |
| 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 | (412,512) |
| Capital Outlay | 38,288 |
| Governmental funds do not report donated capital assets under the modified accrual basis of accounting, but are capitalized over their estimated useful lives in the Statement of Activities: | |
| Donated Capital Asset | 20,024 |
| 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 | 34,054 |
| Accrued Interest Payable - End of Year | (27,934) |
| 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 | 991,000 |
| Amortization of Deferred Charges | (7,066) |
| Employees Early Retirement and Accumulated Sick Pay are reported on the accrual method in the Statement of Activities, and recorded as an expenditure when financial resources are used in the governmental funds: | |
| Accumulated Sick Pay - Beginning of Year | 3,564 |
| Accumulated Sick Pay - End of Year | (3,364) |
| Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds: | |
| Change in Pension Related Items | 150,637 |
| Change in Other Postemployment Benefit Related Items | (12,443) |
| Restricted revenue reported in the governmental funds that is deferred to offset the deferred outflows related to Section 147c pension and other postemployment benefit contributions subsequent to the measurement date. | |
| Change in State Aid Funding for Pension | (59,569) |
| Change in State Aid Funding for Other Postemployment Benefits | 89,046 |
| CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES | <u>\$ 1,003,528</u> |

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, 2018

| | <u>AGENCY FUNDS</u> |
|---------------------------------|-------------------------|
| <u>ASSETS</u> | |
| Cash and Cash Equivalents | \$ 15,109 |
| Investments | <u>80,952</u> |
| Total Assets | 96,061 |
| <u>LIABILITIES</u> | |
| Due to Groups and Organizations | <u>96,061</u> |
| <u>NET POSITION</u> | <u><u>\$ 0</u></u> |

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

PELLSTON PUBLIC SCHOOLS
PELLSTON, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

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, 2018

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 Nonmajor 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, 2018

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, 2018

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 26, 2017, or as amended by the School Board of Education throughout the year.

2. *Excess of Expenditures Over Appropriations*

| | <u>APPROPRIATIONS</u> | <u>EXPENDITURES</u> |
|------------------------|-----------------------|---------------------|
| Supporting Services | | |
| Other Support Services | \$ 138,472 | \$ 139,571 |

This overage was covered by fund balance.

PELLSTON PUBLIC SCHOOLS
PELLSTON, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

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.

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.

PELLSTON PUBLIC SCHOOLS
PELLSTON, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

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

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

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

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 three items that

PELLSTON PUBLIC SCHOOLS
PELLSTON, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

qualify for reporting in this category. They are the deferred charge on refunding, pension and other postemployment benefits related items reported in the government-wide *Statement of Net Position*. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or funding debt. A deferred outflow is recognized for pension and other postemployment benefit related items. These amounts are expenses in the plan year in which they apply. Details can be found in footnote 3.E and 3.F.

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 two items that qualify for reporting in this category. They are future resources yet to be recognized in relation to the pension and other postemployment benefit actuarial calculation. These future resources arise from differences in the estimates used by the actuary to calculate the pension and other postemployment benefit liability and the actual results. Details can be found in footnote 3.E and 3.F.

9. Pension

For purposes of measuring the net pension and other postemployment benefit liabilities, deferred outflows of resources and deferred inflows of resources related to pensions and other postemployment benefits, and pension and other postemployment benefits 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

PELLSTON PUBLIC SCHOOLS
PELLSTON, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

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).

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, 2018 the foundation allowance was based on pupil membership counts taken in October 2017 and February 2017.

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For fiscal year ended June 30, 2018, the per pupil foundation allowance was \$7,631 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 2017 to August 2018. Thus, the unpaid portion at June 30th is reported as due from other governmental units.

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

2. Program Revenues

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

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, 2018, 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 | 3.5706 |

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NOTES 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Violations of Legal or Contractual Provisions

Note I.F.2, on the Excess of Expenditures Over Appropriations, describes a budgetary violation that occurred for the year ended June 30, 2018.

NOTE 3 – 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, 2018, the District's bank balance was \$381,946, none of which 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 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.

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As of June 30, 2018, the District had the following investments:

| | Fair Value | Weighted Average Maturity (Years) | Standard & Poor's Rating | % |
|---|---------------------|--|--------------------------------|----------------|
| MILAF+ External Investment Pool - MIMAX | \$ 1,604,056 | 0.0027 | AAAm | 100.00% |
| | <u>\$ 1,604,056</u> | | | <u>100.00%</u> |
| Portfolio Weighted Average Maturity | | <u>0.0027</u> | | |

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, 2018, 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.

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.

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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 \$15,109 | \$ 327,750 |
| Investments - including Fiduciary Funds of \$80,952 | 1,604,056 |
| | \$ 1,931,806 |

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

| | |
|-------------------------------|--------------|
| | <u>Total</u> |
| Cash - Fiduciary Funds | \$ 15,109 |
| Cash - District-Wide | 312,641 |
| Investments - Fiduciary Funds | 80,952 |
| Investments - District-Wide | 1,523,104 |
| | \$ 1,931,806 |

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 | \$ 1,717 | \$ 1,717 |
| Due from Other Governments | 324,322 | 4,686 | 329,008 |
| Total Receivables | \$ 324,322 | \$ 6,403 | \$ 330,725 |

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

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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, 2018, was as follows:

| | Balance July 1, 2017 | Additions | Deletions | Balance June 30, 2018 |
|---|-------------------------|--------------|-----------|--------------------------|
| 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 | 12,777,603 | 33,622 | 0 | 12,811,225 |
| Vehicles | 692,127 | 0 | 60,886 | 631,241 |
| Equipment | 1,651,157 | 24,690 | 0 | 1,675,847 |
| Subtotal | 15,195,887 | 58,312 | 60,886 | 15,193,313 |
| Less Accumulated Depreciation for: | | | | |
| Land Improvements | (69,750) | (1,750) | 0 | (71,500) |
| Buildings and Improvements | (10,879,644) | (285,541) | 0 | (11,165,185) |
| Vehicles | (345,819) | (61,308) | 60,886 | (346,241) |
| Equipment | (1,397,194) | (63,913) | 0 | (1,461,107) |
| Total Accumulated Depreciation | (12,692,407) | (412,512) | 60,886 | (13,044,033) |
| Total Capital Assets Being Depreciated, Net | 2,503,480 | (354,200) | 0 | 2,149,280 |
| Capital Assets, Net | \$ 2,938,480 | \$ (354,200) | \$ 0 | \$ 2,584,280 |

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

| | |
|-------------------------|-------------------|
| Governmental Activities | |
| Unallocated | <u>\$ 412,512</u> |

D. Retirement and Post-Retirement Benefits

Plan Description – The Michigan Public School Employees' Retirement System (System or MPSERS) is a cost-sharing, multiple employer, state-wide, defined benefit public employee retirement plan governed by the State of Michigan (State) originally created under Public Act 136 of 1945, recodified and currently operating under the provisions of Public Act 300 of 1980, as amended. Section 25 of this act establishes the board's authority to promulgate or amend the provisions of the System. MPSERS issues a publicly available Comprehensive Annual Financial Report that can be obtained at www://michigan.gov/mpsers-cafr.

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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.

Benefits Provided- Overall

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 | Closed |
| Pension Plus 2 | Hybrid | Open |
| Defined Contribution | Defined Contribution | Open |

Benefits Provided – Pension

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. Retirement benefits for DB plan members are determined by final average compensation and years of service. DB members are eligible to receive a monthly benefit when they meet certain age and service requirements. The System also provides disability and survivor benefits to DB plan members.

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.

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

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

- Basic plan members: 4% contribution
- Member Investment Plan (MIP)-Fixed, MIP-Graded, and MIP-Plus members: a flat 7% contribution

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

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

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

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

Employees who first work on or after September 4, 2012 choose between two retirement plans: the Pension Plus Plan and a 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.

Pension Reform of 2017

On July 13, 2017, the Governor signed Public Act 92 of 2017 into law. The legislation closes the current hybrid plan (Pension Plus) to newly hired employees as of February 1, 2018 and creates a new optional revised hybrid plan with similar plan benefit calculations but containing a 50/50 cost share between the employee and the employer, including the cost of future unfunded liabilities. The assumed rate of return on the new hybrid plan is 6%. Further, the law provides that, under certain conditions, the new hybrid plan would close to new employees if the actuarial funded ratio falls below 85% for two consecutive years. The law includes other provisions to the retirement eligibility age, plan assumptions, and unfunded liability payment methods.

Benefits Provided – Other postemployment benefit (OPEB)

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

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 February 1, 2013.

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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.

Regular Retirement (no reduction factor for age)

Eligibility – A basic plan member may retire at age 55 with 30 years credited service; or age 60 with 10 years credited service. For Member Investment Plan (MIP) members, age 46 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 – The annual pension is paid monthly for the lifetime of a retiree. The calculation of a member's pension is determined by their pension election under PA 300 of 2012.

Members Contributions

Depending on the plan selected, member contributions range from 0% to 7% for pension and 0% to 3% for other postemployment benefits. Plan members electing the defined contribution plan are not required to make additional contributions.

Employer Contributions

Employers are required by Public Act 300 of 1980, as amended, to contribute amounts necessary to finance the coverage of members and retiree other postemployment 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.

For retirement and OPEB benefits, the unfunded (overfunded) actuarial accrued liability as of September 30, 2016 valuation will be amortized over a 22-year period for fiscal 2017.

School districts' contributions are determined based on employee elections. There are several different benefit options included in the plan available to employees based on date of hire. Contribution rates are adjusted annually by the ORS. The range of rates is as follows:

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| | <u>Pension</u> | <u>Other Postemployment Benefit</u> |
|--------------------------------------|-----------------|---|
| October 1, 2016 - September 30, 2017 | 15.27% - 19.03% | 5.69% - 5.91% |
| October 1, 2017 - September 30, 2018 | 13.54% - 19.74% | 7.42% - 7.67% |

The District's pension contributions for the year ended June 30, 2018 were equal to the required contribution total. Pension contributions were approximately \$718,021.

The District's OPEB contributions for the year ended June 30, 2018 were approximately \$168,175.

These amounts, for both pension and OPEB, include contributions funded from state revenue Section 147c restricted to fund MPSERS Unfunded Actuarial Accrued Liability (UAAL) Stabilization Rate (100% for pension and 0% 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, 2018, the District reported a liability of \$7,686,193 for its proportionate share of the net pension liability. The net pension liability was measured as of September 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation date of September 30, 2016 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, 2017 and 2016, the District's proportion was .0296601% and .0309829%.

MPSERS (Plan) Non-University Employers Net Pension Liability – As of September 30, 2017 and September 30, 2016

| | <u>September 30, 2017</u> | <u>September 30, 2016</u> |
|---|---------------------------|---------------------------|
| Total Pension Liability | \$ 72,407,218,688 | \$ 67,917,445,078 |
| Plan Fiduciary Net Position | 46,492,967,573 | 42,968,263,308 |
| Net Pension Liability | <u>\$ 25,914,251,115</u> | <u>\$ 24,949,181,770</u> |
| Plan Fiduciary Net Position as a Percentage of Total Pension Liability | 64.21% | 63.27% |
| Net Pension Liability as a Percentage of Covered-Employee Payroll | 309.13% | 295.81% |

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

For the year ended June 30, 2018, the District recognized total pension expense of \$268,521. 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, 2018, 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 | \$ 66,798 | \$ 37,715 |
| Section 147c revenue related to District Pension contributions subsequent to measurement date | 0 | 298,863 |
| Changes of assumptions | 842,083 | 0 |
| Net difference between projected and actual earnings on pension plan investments | 0 | 367,451 |
| Changes in proportion and differences between District contributions and proportionate share of contributions | 61 | 595,906 |
| District contributions subsequent to the measurement date | <u>663,529</u> | <u>0</u> |
| Total | <u>\$ 1,572,471</u> | <u>\$ 1,299,935</u> |

\$663,529 reported as deferred outflows of resources and \$298,863 reported as deferred inflows or resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2019. 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> |
|---------------------------------|--------------------|
| 2018 | \$ (124,313) |
| 2019 | 53,696 |
| 2020 | 32,787 |
| 2021 | <u>(54,300)</u> |
| | <u>\$ (92,130)</u> |

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F. OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

OPEB Liabilities

At June 30, 2018, the District reported a liability of \$2,632,943 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of September 30, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation date of September 30, 2016 and rolled-forward using generally accepted actuarial procedures. The District's proportion of the net OPEB liability was based on a projection of its long-term share of contributions to the OPEB plan relative to the projected contributions of all participating reporting units, actuarially determined. At September 30, 2017, the District's proportion was 0.0297324 percent.

MPSERS (Plan) Non-University Employers Net OPEB Liability – As of September 30, 2017 and September 30, 2016

| | <u>September 30, 2017</u> | <u>September 30, 2016</u> |
|---|---------------------------|---------------------------|
| Total OPEB Liability | \$ 13,920,945,991 | \$ 14,071,279,615 |
| Plan Fiduciary Net Position | 5,065,474,948 | 4,730,719,539 |
| OPEB Liability | <u>\$ 8,855,471,043</u> | <u>\$ 9,340,560,076</u> |
| Plan Fiduciary Net Position as a Percentage of Total OPEB Liability | 36.39% | 33.62% |
| OPEB Liability as a Percentage of Covered-Employee Payroll | 105.64% | Unknown |

OPEB Expense and Deferred Inflows and Outflows of Resources Related to OPEB

For the year ended June 30, 2018, the District recognized total OPEB expense of \$180,617.

At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

| | <u>Deferred Outflows of Resources</u> | <u>Deferred Inflows of Resources</u> |
|---|---------------------------------------|--------------------------------------|
| Differences between expected and actual experience | \$ 0 | \$ 28,033 |
| Changes of assumptions | 0 | 0 |
| Net difference between projected and actual earnings on OPEB plan investments | 0 | 60,980 |
| Changes in proportion and differences between District contributions and proportionate share of contributions | 0 | 3,660 |
| District contributions subsequent to the measurement date | 157,023 | 0 |
| Total | <u>\$ 157,023</u> | <u>\$ 92,673</u> |

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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

\$157,023 reported as deferred outflows of related to OPEB resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources (+) and deferred inflows of resources (-) related to OPEB will be recognized in OPEB expense as follows:

| <u>Year Ended September 30,</u> | <u>Amount</u> |
|---------------------------------|--------------------------------|
| 2018 | \$ (22,328) |
| 2019 | (22,328) |
| 2020 | (22,328) |
| 2021 | (22,328) |
| 2022 | (3,361) |
| | <hr/> <u>\$ (92,673)</u> <hr/> |

G. Actuarial Valuations and Assumptions of the Pension and OPEB Plans

Investment rate of return for Pension – 7.5% a year, compounded annually net of investment and administrative expenses for the Non-Hybrid groups and 7.0% a year, compounded annually net of investment and administrative expenses for the Hybrid group (Pension Plus Plan).

Investment rate of return for OPEB – 7.5% a year, compounded annually net of investment and administrative expenses

Salary increases - The rate of pay increase used for individual members is 3.5%.

Inflation – 3.0%

Mortality assumptions - RP2000 Combined Healthy Life Mortality table, adjusted for mortality improvements to 2025 using projection scale BB (for men, 80% of the table rates were used and for women, 70% of the table rates were used).

Experience study - The annual actuarial valuation report of the System used for these statements is dated September 30, 2016. 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 long-term expected rate of return on pension and other postemployment benefit plan investments - The pension rate was 7.5% (7% Pension Plus Plan), and the other postemployment benefit rate was 7.5%, net of investment and administrative expenses 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.

Cost of Living Pension Adjustments – 3.0% annual non-compounded for MIP members

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Healthcare cost trend rate for other postemployment benefit – 7.5% for year one and graded to 3.5% to year twelve.

Additional assumptions for other postemployment benefit only – Applies to individuals hired before September 4, 2012:

Opt Out Assumption – 21% of eligible participants hired before July 1, 2008 and 30% of those hired after June 30, 2008 are assumed to opt out of the retiree health plan.

Survivor Coverage – 80% of male retirees and 67% of female retirees are assumed to have coverage continuing after the retiree’s death

Coverage Election at Retirement – 75% of male and 60% of female future retirees are assumed to elect coverage for 1 or more dependents

The target asset allocation at September 30, 2017 and best estimates of arithmetic real rates of return for each major asset class 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% | 5.60% |
| Alternative Investment Pools | 18.00% | 8.70% |
| International Equity | 16.00% | 7.20% |
| Fixed Income Pools | 10.50% | -0.10% |
| Real Estate & Infrastructure Pools | 10.00% | 4.20% |
| Absolute Return Pools | 15.50% | 5.00% |
| Short-Term Investment Pools | 2.00% | -0.90% |
| | <u>100%</u> | |

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

Pension Discount Rate

A discount rate of 7.5% was used to measure the total pension liability (7.0% for the Pension Plus Plan). This discount rate was based on the long-term expected rate of return on pension plan investments of 7.5% (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.

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NOTES TO FINANCIAL STATEMENTS
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OPEB Discount Rate

The discount rate of 7.5% was used to measure the total OPEB liability. This discount rate was based on the long-term expected rate of return on OPEB plan investments of 7.5%. 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 school districts contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the OPEB plan's fiduciary net position was project to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

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

The following presents the District's proportionate share of the net pension liability, calculated using the discount rate of 7.5% (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 than the current rate:

| 1% Decrease (Non-Hybrid/Hybrid) 6.5% / 6.0% | Current Single Discount Rate Assumption (Non-Hybrid/Hybrid) 7.5% / 7.0% | 1% Increase (Non-Hybrid/Hybrid) 8.5% / 8.0% |
|---|--|---|
| \$ 10,012,553 | \$ 7,686,193 | \$ 5,727,546 |

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

The following presents the Reporting Unit's proportionate share of the net OPEB liability calculated using the discount rate of 7.5%, as well as what the Reporting Unit's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

| 1% Decrease 6.5% | Current Single Discount Rate Assumption 7.5% | 1% Increase 8.5% |
|---------------------|--|---------------------|
| \$ 3,083,937 | \$ 2,632,943 | \$ 2,250,190 |

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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

Sensitivity to the net OPEB liability to changes in the healthcare cost trend rates

The following presents the Reporting Unit's proportionate share of the net other postemployment benefit liability calculated using the healthcare cost trend rate of 7.5% (decreasing to 3.5%), as well as what the Reporting Unit's proportionate share of the net other postemployment benefit liability would be if it were calculated using a healthcare cost trend rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

| <u>1% Decrease</u> <u>(6.5% decreasing to 2.5%)</u> | <u>Current Healthcare Cost</u> <u>Trend Rates</u> <u>(7.5% decreasing to 3.5%)</u> | <u>1% Increase</u> <u>(8.5% decreasing to 4.5%)</u> |
|--|--|--|
| \$ 2,229,749 | \$ 2,632,943 | \$ 3,090,742 |

H. Pension and OPEB Plan Fiduciary Net Position

Detailed information about the pension and OPEB plan's fiduciary net position is available in the separately issued Michigan Public School Employees Retirement System 2017 Comprehensive Annual Financial Report.

I. Payables to the Pension and OPEB Plan

As of June 30, 2018, the District is current on all required pension and OPEB plan payments. As of June 30, 2018, the District reported payables in the amount of \$126,188 to the pension and OPEB 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.

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, 2018:

PELLSTON PUBLIC SCHOOLS
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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

| | <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%. | \$ 213,000 | \$ 0 | \$ 71,000 | \$ 142,000 | \$ 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 |
| 2008 Refunding Bonds, due through May 2022 in semi-annual installments of interest and annual principal payments varying from \$785,000 - \$850,000 with interest rates ranging from 3.85% to 4.2%. | 4,035,000 | 0 | 760,000 | 3,275,000 | 785,000 |
| 2012 School Technology and Equipment Bonds, due through May 2020 in semi-annual installments of interest and annual principal payments varying from \$170,000 - \$180,000 with interest rates ranging from 2.00% to 2.25%. | 510,000 | 0 | 160,000 | 350,000 | 170,000 |
| Compensated Absences | 3,564 | 0 | 200 | 3,364 | Unknown |
| Net Pension Liability | 7,729,985 | 651,895 | 695,687 | 7,686,193 | Unknown |
| Net OPEB Liability | 2,777,172 | 87,250 | 231,479 | 2,632,943 | Unknown |
| Total Long-Term Debt | <u>\$ 15,583,721</u> | <u>\$ 739,145</u> | <u>\$ 1,918,366</u> | <u>\$ 14,404,500</u> | <u>\$ 1,026,000</u> |

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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

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> |
|-----------------------------|---------------------|-------------------|------------------------|
| 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 | 65,000 | 10,188 | 75,188 |
| 2024-2025 | 130,000 | 8,230 | 138,230 |
| | <u>\$ 4,082,000</u> | <u>\$ 452,725</u> | <u>\$ 4,534,725</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.

L. Interfund Receivables and Payables

| | <u>INTERFUND RECEIVABLES</u> | <u>INTERFUND PAYABLES</u> |
|------------------------------------|------------------------------|---------------------------|
| General Fund | \$ 0 | \$ 29,411 |
| School Service Fund - Food Service | 29,411 | 0 |
| | <u>\$ 29,411</u> | <u>\$ 29,411</u> |

The outstanding balances between funds result mainly from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made. All interfund balances outstanding at June 30, 2018 are expected to be repaid within one year.

M. Interfund Transfers

| | <u>TRANSFERS IN</u> | <u>TRANSFERS OUT</u> |
|--|---------------------|----------------------|
| General Fund | \$ 0 | \$ 77,441 |
| Debt Retirement Fund - 2010 QZAB Bonds | 73,678 | 0 |
| Debt Retirement Fund - 2011 QZAB Bonds | 3,763 | 0 |
| | <u>\$ 77,441</u> | <u>\$ 77,441</u> |

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

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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

N. Related Party Transactions

The District paid for repair and maintenance services to a business owned by the superintendent's relative totaling \$32,951 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. However, management does not believe such disallowances, if any, would be material to the financial position of the District.

The District has committed to purchase new bleachers at a cost of \$65,348. This is expected to be complete during the 2018-19 fiscal year.

P. New Accounting Standards

The District implemented the following new pronouncements: GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*.

Summary:

GASB Statement No. 75 requires governments that participate in defined benefit other postemployment benefit (OPEB) plans to report in the statements of net position a net OPEB liability. The net OPEB liability is the difference between the total OPEB 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. The Statement requires cost-sharing employers to record a liability and expense equal to their proportionate share of the collective net OPEB liability and expense for the cost-sharing plan. The Statement also will improve the comparability and consistency of how governments calculate the OPEB liabilities and expense.

The restatement of the beginning of the year net position is as follows:

| | |
|--|-------------------------------|
| Net Position - Governmental Activities - As Previously Reported, June 30, 2017 | \$ (8,382,958) |
| Adoption of GASB Statement 75: | |
| Net Other Postemployment Benefit Liability | (2,777,172) |
| Deferred Outflows Related to Other Postemployment Benefits | 221,022 |
| Deferred Inflows Related to Other Postemployment Benefits | <u>(89,046)</u> |
| Net Position - Governmental Activities - Restated as of June 30, 2017 | <u><u>\$ (11,028,154)</u></u> |

PELLSTON PUBLIC SCHOOLS
PELLSTON, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 4 – UPCOMING ACCOUNTING PRONUCEMENTS

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

Governmental Account Standards Board (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.

Governmental Account Standards Board (GASB) Statement No. 87, *Leases*, was issued by the GASB in June 2017 and will be effective for the District's 2021 year-end. The objective of this Statement is to increase the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use the underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities.

PELLSTON PUBLIC SCHOOLS

PELLSTON, MICHIGAN

REQUIRED SUPPLEMENTARY INFORMATION

BUDGETARY COMPARISON SCHEDULE

GENERAL FUND

YEAR ENDED JUNE 30, 2018

| | <u>ORIGINAL</u> <u>BUDGET</u> | <u>FINAL</u> <u>BUDGET</u> | <u>ACTUAL</u> |
|--|----------------------------------|-------------------------------|---------------------|
| <u>REVENUES</u> | | | |
| Local Sources | \$ 3,047,586 | \$ 3,127,115 | \$ 3,148,270 |
| State Sources | 1,781,604 | 1,891,708 | 1,947,245 |
| Federal Sources | 234,347 | 223,821 | 226,098 |
| Other Transactions | 362,021 | 441,151 | 319,888 |
| Total Revenues | <u>5,425,558</u> | <u>5,683,795</u> | <u>5,641,501</u> |
| <u>EXPENDITURES</u> | | | |
| Instruction | | | |
| Basic Programs | 2,463,075 | 2,523,843 | 2,520,954 |
| Added Needs | 884,772 | 871,412 | 870,492 |
| Supporting Services | | | |
| Pupil | 284,455 | 206,093 | 206,068 |
| Instructional Staff | 14,009 | 101,626 | 99,470 |
| General Administration | 273,865 | 270,009 | 268,307 |
| School Administration | 284,551 | 286,656 | 285,293 |
| Business | 84,330 | 94,899 | 83,740 |
| Operating and Maintenance | 497,310 | 532,213 | 532,152 |
| Pupil Transportation | 292,340 | 289,203 | 289,127 |
| Support Services Central | 86,000 | 89,316 | 88,115 |
| Other Support Services | 146,121 | 138,472 | 139,571 |
| Community Service | 0 | 2,800 | 2,690 |
| Total Expenditures | <u>5,310,828</u> | <u>5,406,542</u> | <u>5,385,979</u> |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | 114,730 | 277,253 | 255,522 |
| <u>OTHER FINANCING SOURCES (USES)</u> | | | |
| Transfers Out | (78,740) | (77,441) | (77,441) |
| Net Change in Fund Balance | 35,990 | 199,812 | 178,081 |
| <u>FUND BALANCE</u> - Beginning of Year | <u>1,046,001</u> | <u>1,062,549</u> | <u>1,062,549</u> |
| <u>FUND BALANCE</u> - End of Year | <u>\$ 1,081,991</u> | <u>\$ 1,262,361</u> | <u>\$ 1,240,630</u> |

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, 2018

| | 2023 | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 |
|---|------|------|------|------|------|------|--------------|--------------|--------------|--------------|
| District's proportion of net pension liability (%) | | | | | | | 0.02966010% | 0.03098292% | 0.03126236% | 0.03468% |
| District's proportionate share of net pension liability | | | | | | | \$ 7,686,193 | \$ 7,729,985 | \$ 7,635,840 | \$ 7,638,166 |
| District's covered-employee payroll | | | | | | | 2,432,413 | 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 | | | | | | | 315.99% | 294.58% | 292.44% | 259.27% |
| Plan fiduciary net position as a percentage of total pension liability | | | | | | | 64.21% | 63.27% | 63.17% | 66.20% |

PELLSTON PUBLIC SCHOOLS
PELLSTON, MICHIGAN

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF PENSION CONTRIBUTIONS
MICHIGAN PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM
LAST 10 FISCAL YEARS (AMOUNTS WERE DETERMINED AS OF 6/30 OF EACH FISCAL YEAR)
JUNE 30, 2018

| | 2024 | 2023 | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 |
|---|------|------|------|------|------|------|--------------|--------------|--------------|--------------|
| Statutorily required contributions | | | | | | | \$ 718,021 | \$ 725,822 | \$ 706,340 | \$ 602,078 |
| Contributions in relation to statutorily required contributions * | | | | | | | 718,021 | 725,822 | 706,340 | 602,078 |
| Contribution deficiency (excess) | | | | | | | \$ 0 | \$ 0 | \$ 0 | \$ 0 |
| Covered-employee payroll | | | | | | | \$ 2,358,653 | \$ 2,487,953 | \$ 2,551,205 | \$ 2,659,133 |
| Contributions as a percentage of covered-employee payroll | | | | | | | 30.44% | 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

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF PROPORTIONATE SHARE OF THE NET OTHER POSTEMPLOYMENT BENEFIT LIABILITY
MICHIGAN PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM
LAST 10 FISCAL YEARS (AMOUNTS WERE DETERMINED AS OF 9/30 OF EACH PLAN YEAR)
JUNE 30, 2018

| | 2026 | 2025 | 2024 | 2023 | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 |
|--|------|------|------|------|------|------|------|------|------|-------------|
| District's proportion of net OPEB liability (%) | | | | | | | | | | 0.02973240% |
| District's proportionate share of net OPEB liability | | | | | | | | | \$ | 2,632,943 |
| District's covered-employee payroll | | | | | | | | | | 2,432,413 |
| District's proportionate share of net OPEB liability as a percentage of its covered-employee payroll | | | | | | | | | | 108.24% |
| Plan fiduciary net position as a percentage of total OPEB liability | | | | | | | | | | 36.39% |

PELLSTON PUBLIC SCHOOLS
PELLSTON, MICHIGAN

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF OTHER POSTEMPLOYMENT BENEFIT CONTRIBUTIONS
MICHIGAN PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM
LAST 10 FISCAL YEARS (AMOUNTS WERE DETERMINED AS OF 6/30 OF EACH FISCAL YEAR)
JUNE 30, 2018

| | 2027 | 2026 | 2025 | 2024 | 2023 | 2022 | 2021 | 2020 | 2019 | 2018 |
|---|------|------|------|------|------|------|------|------|------|--------------|
| Statutorily required contributions | | | | | | | | | | \$ 168,175 |
| Contributions in relation to statutorily required contributions * | | | | | | | | | | 168,175 |
| Contribution deficiency (excess) | | | | | | | | | | \$ 0 |
| Covered-employee payroll | | | | | | | | | | \$ 2,358,653 |
| Contributions as a percentage of covered-employee payroll | | | | | | | | | | 7.13% |

* 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, 2018

A. Changes of Benefit Terms:

There were no changes of benefit terms for the plan year ended September 30, 2017.

B. Changes of Assumptions:

There were no changes of benefit assumptions for the plan year ended September 30, 2017.

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

JUNE 30, 2018

| | SPECIAL REVENUE FUND | DEBT SERVICE FUNDS | | | TOTAL NONMAJOR GOVERNMENTAL FUNDS |
|---|----------------------------|---|-----------------------|-----------------------|--|
| | FOOD SERVICE FUND | 2012 SCHOOL TECHNOLOGY AND EQUIPMENT | 2010 QZAB BONDS | 2011 QZAB BONDS | |
| <u>ASSETS</u> | | | | | |
| Cash | \$ 40,764 | \$ 20,054 | \$ 0 | \$ 0 | \$ 60,818 |
| Accounts Receivable | 1,717 | 0 | 0 | 0 | 1,717 |
| Due from Other Funds | 29,411 | 0 | 0 | 0 | 29,411 |
| Due from Other Governments | 4,686 | 0 | 0 | 0 | 4,686 |
| Inventory | 6,057 | 0 | 0 | 0 | 6,057 |
| TOTAL ASSETS | \$ 82,635 | \$ 20,054 | \$ 0 | \$ 0 | \$ 102,689 |
| <u>LIABILITIES AND FUND BALANCE</u> | | | | | |
| <u>LIABILITIES</u> | | | | | |
| Accounts Payable | \$ 1,100 | \$ 0 | \$ 0 | \$ 0 | \$ 1,100 |
| Accrued Expenditures | 345 | 0 | 0 | 0 | 345 |
| Salaries Payable | 3,594 | 0 | 0 | 0 | 3,594 |
| Unearned Revenue | 2,601 | 0 | 0 | 0 | 2,601 |
| Total Liabilities | 7,640 | 0 | 0 | 0 | 7,640 |
| <u>FUND BALANCE</u> | | | | | |
| Nonspendable: | | | | | |
| Inventory | 6,057 | 0 | 0 | 0 | 6,057 |
| Restricted: | | | | | |
| Debt Service | 0 | 20,054 | 0 | 0 | 20,054 |
| Food Service | 68,938 | 0 | 0 | 0 | 68,938 |
| Total Fund Balance | 74,995 | 20,054 | 0 | 0 | 95,049 |
| TOTAL LIABILITIES AND FUND BALANCE | \$ 82,635 | \$ 20,054 | \$ 0 | \$ 0 | \$ 102,689 |

PELLSTON PUBLIC SCHOOLS

PELLSTON, MICHIGAN

NONMAJOR GOVERNMENTAL FUNDS

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

YEAR ENDED JUNE 30, 2018

| | 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 | \$ 54,834 | \$ 168,620 | \$ 0 | \$ 0 | \$ 223,454 |
| State Sources | 13,318 | 623 | 0 | 0 | 13,941 |
| Federal Sources | 249,980 | 0 | 11,202 | 15,921 | 277,103 |
| Total Revenues | 318,132 | 169,243 | 11,202 | 15,921 | 514,498 |
| <u>EXPENDITURES</u> | | | | | |
| Food Service Activities | | | | | |
| Salaries | 80,880 | 0 | 0 | 0 | 80,880 |
| Employees Benefits | 44,396 | 0 | 0 | 0 | 44,396 |
| Purchased Services | 16,059 | 0 | 0 | 0 | 16,059 |
| Supplies, Materials and Other | 158,075 | 0 | 0 | 0 | 158,075 |
| Capital Outlay | 13,577 | 0 | 0 | 0 | 13,577 |
| Debt Service | | | | | |
| Principal | 0 | 160,000 | 71,000 | 0 | 231,000 |
| Interest and Fees | 0 | 10,850 | 13,880 | 19,684 | 44,414 |
| Total Expenditures | 312,987 | 170,850 | 84,880 | 19,684 | 588,401 |
| Excess of Revenues Over (Under) Expenditures | 5,145 | (1,607) | (73,678) | (3,763) | (73,903) |
| <u>OTHER FINANCING SOURCES (USES)</u> | | | | | |
| Transfers In/ (Out) | 0 | 0 | 73,678 | 3,763 | 77,441 |
| Net Change in Fund Balance | 5,145 | (1,607) | 0 | 0 | 3,538 |
| <u>FUND BALANCE</u> - Beginning of Year | 69,850 | 21,661 | 0 | 0 | 91,511 |
| <u>FUND BALANCE</u> - End of Year | \$ 74,995 | \$ 20,054 | \$ 0 | \$ 0 | \$ 95,049 |

PELLSTON PUBLIC SCHOOLS
PELLSTON, MICHIGAN

GENERAL FUND

BALANCE SHEET
JUNE 30, 2018

WITH COMPARATIVE TOTALS FOR JUNE 30, 2017

| | 2018 | 2017 |
|---|---------------------|---------------------|
| <u>ASSETS</u> | | |
| Cash and Cash Equivalents | \$ 131,833 | \$ 284,377 |
| Investments | 1,523,104 | 925,572 |
| Due from Other Funds | 0 | 7,000 |
| Due from Other Governments | 324,322 | 356,512 |
| Prepaid Expenditures | 25,135 | 2,416 |
| Inventory | 23,185 | 21,148 |
| | <u>\$ 2,027,579</u> | <u>\$ 1,597,025</u> |
| <u>LIABILITIES AND FUND BALANCE</u> | | |
| <u>LIABILITIES</u> | | |
| Accounts Payable | \$ 48,680 | \$ 65,071 |
| Due to Other Funds | 29,411 | 0 |
| Due to Other Governments | 45,774 | 0 |
| Unearned Revenue | 224,097 | 96,276 |
| Accrued Expenditures | 163,078 | 120,787 |
| Salaries Payable | 275,909 | 252,342 |
| | <u>786,949</u> | <u>534,476</u> |
| <u>FUND BALANCE</u> | | |
| Nonspendable: | | |
| Inventory | 23,185 | 21,148 |
| Prepaid Expenditures | 25,135 | 2,416 |
| Committed: | | |
| Facility Improvements | 100,000 | 100,000 |
| Assigned: | | |
| Field Trips | 6,621 | 0 |
| Unassigned | 1,085,689 | 938,985 |
| | <u>1,240,630</u> | <u>1,062,549</u> |
| Total Fund Balance | <u>1,240,630</u> | <u>1,062,549</u> |
| TOTAL LIABILITIES AND FUND BALANCE | <u>\$ 2,027,579</u> | <u>\$ 1,597,025</u> |

PELLSTON PUBLIC SCHOOLS
PELLSTON, MICHIGAN

GENERAL FUND

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

YEAR ENDED JUNE 30, 2018

WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2017

| | 2018 | 2017 |
|--|--------------|--------------|
| <u>REVENUES</u> | | |
| Local Sources | \$ 3,148,270 | \$ 3,088,079 |
| State Sources | 1,947,245 | 1,922,427 |
| Federal Sources | 226,098 | 309,267 |
| Other Transactions | 319,888 | 328,509 |
| | 5,641,501 | 5,648,282 |
| <u>EXPENDITURES</u> | | |
| Instruction | | |
| Basic Programs | | |
| Elementary | 1,162,229 | 1,075,257 |
| Middle School | 541,582 | 512,981 |
| High School | 640,542 | 725,796 |
| Pre-School | 176,601 | 164,770 |
| Added Needs | | |
| Special Education | 389,156 | 356,299 |
| Compensatory Education | 299,853 | 390,099 |
| Career and Technical Education | 181,483 | 211,883 |
| Supporting Services | | |
| Pupil | | |
| Guidance Services | 99,889 | 71,858 |
| Social Work Services | 77,389 | 67,052 |
| Other Pupil Services | 28,790 | 40,044 |
| Instructional Staff | | |
| Improvement of Instruction | 65,664 | 11,884 |
| Educational Media Services | 29,087 | 225 |
| Supervision and Direction of Instructional Staff | 4,719 | 0 |
| General Administration | | |
| Board of Education | 28,500 | 21,732 |
| Executive Administration | 239,807 | 236,450 |
| School Administration | | |
| Office of the Principal | 284,487 | 381,054 |
| Other School Administration | 806 | 819 |

PELLSTON PUBLIC SCHOOLS
PELLSTON, MICHIGAN

GENERAL FUND

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

YEAR ENDED JUNE 30, 2018

WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2017

| | <u>2018</u> | <u>2017</u> |
|--|--------------|--------------|
| Business | | |
| Fiscal Services | 68,899 | 66,579 |
| Other Business Services | 14,841 | 28,204 |
| Operation and Maintenance of Plant | | |
| Operating Building Services | 532,152 | 548,672 |
| Pupil Transportation Services | 289,127 | 270,539 |
| Support Services Central | | |
| Staff/Personnel Services | 2,499 | 4,804 |
| Information Management Services | 85,616 | 107,617 |
| Other Support Services | 139,571 | 136,033 |
| Community Services | | |
| Community Activities | 2,690 | 0 |
| | <hr/> | <hr/> |
| Total Expenditures | 5,385,979 | 5,430,651 |
| | <hr/> | <hr/> |
| Excess of Revenues Over (Under) Expenditures | 255,522 | 217,631 |
| <u>OTHER FINANCING SOURCES (USES)</u> | | |
| Transfers Out | (77,441) | (78,017) |
| | <hr/> | <hr/> |
| Net Change in Fund Balance | 178,081 | 139,614 |
| <u>FUND BALANCE</u> - Beginning of Year | 1,062,549 | 922,935 |
| | <hr/> | <hr/> |
| <u>FUND BALANCE</u> - End of Year | \$ 1,240,630 | \$ 1,062,549 |
| | <hr/> | <hr/> |

PELLSTON PUBLIC SCHOOLS
PELLSTON , MICHIGAN

GENERAL FUND
ANALYSIS OF REVENUES AND OTHER FINANCING SOURCES

YEAR ENDED JUNE 30, 2018

WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2017

| | <u>2018</u> | <u>2017</u> |
|---|---------------------|---------------------|
| <u>LOCAL SOURCES</u> | | |
| Property Taxes | \$ 3,006,210 | \$ 2,930,312 |
| Charges for Services | 23,129 | 22,734 |
| Earnings on Investments and Deposits | 22,747 | 8,641 |
| Other Local Revenue | 96,184 | 126,392 |
| Total Local Sources | <u>3,148,270</u> | <u>3,088,079</u> |
| <u>STATE SOURCES</u> | | |
| State Aid | 1,576,050 | 1,637,123 |
| Other State Revenue | 371,195 | 285,304 |
| Total State Sources | <u>1,947,245</u> | <u>1,922,427</u> |
| <u>FEDERAL SOURCES</u> | | |
| Title I | 187,881 | 208,860 |
| Title II - Part A | 20,065 | 52,745 |
| Title V | 1,925 | 0 |
| Title VII - Indian Education | 15,388 | 23,069 |
| Temporary Assistance for Needy Families | 0 | 23,828 |
| Other | 839 | 765 |
| Total Federal Sources | <u>226,098</u> | <u>309,267</u> |
| <u>OTHER TRANSACTIONS</u> | | |
| Char-Em ISD | 313,933 | 316,364 |
| Other | 5,955 | 12,145 |
| Total Other Transactions | <u>319,888</u> | <u>328,509</u> |
| TOTAL REVENUES | <u>\$ 5,641,501</u> | <u>\$ 5,648,282</u> |

PELLSTON PUBLIC SCHOOLS
PELLSTON, MICHIGAN

GENERAL FUND
ANALYSIS OF EXPENDITURES AND OTHER FINANCING USES

YEAR ENDED JUNE 30, 2018

WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2017

| | 2018 | 2017 |
|------------------------------------|------------|------------|
| <u>INSTRUCTION</u> | | |
| <u>Basic Programs</u> | | |
| <u>Elementary</u> | | |
| Salaries | \$ 632,828 | \$ 609,166 |
| Employee Benefits | 483,191 | 453,170 |
| Purchased Services | 18,684 | 7,324 |
| Supplies, Materials and Other | 27,526 | 5,597 |
| Total Elementary | 1,162,229 | 1,075,257 |
| <u>Middle School</u> | | |
| Salaries | 294,696 | 283,643 |
| Employee Benefits | 231,615 | 215,209 |
| Purchased Services | 4,044 | 11,647 |
| Supplies, Materials and Other | 11,227 | 2,482 |
| Total Middle School | 541,582 | 512,981 |
| <u>High School</u> | | |
| Salaries | 303,785 | 371,507 |
| Employee Benefits | 247,741 | 282,292 |
| Purchased Services | 14,508 | 33,158 |
| Supplies, Materials and Other | 32,180 | 11,214 |
| Payments to Other School Districts | 42,328 | 27,625 |
| Total High School | 640,542 | 725,796 |
| <u>Pre-School</u> | | |
| Salaries | 100,825 | 95,864 |
| Employee Benefits | 55,945 | 57,183 |
| Purchased Services | 3,816 | 1,976 |
| Supplies, Materials and Other | 16,015 | 9,747 |
| Total Pre-School | 176,601 | 164,770 |
| <u>Added Needs</u> | | |
| <u>Special Education</u> | | |
| Salaries | 209,310 | 190,544 |
| Employee Benefits | 155,396 | 148,183 |
| Purchased Services | 20,305 | 16,471 |
| Supplies, Materials and Other | 4,145 | 1,101 |
| Total Special Education | 389,156 | 356,299 |

PELLSTON PUBLIC SCHOOLS
PELLSTON, MICHIGAN

GENERAL FUND
ANALYSIS OF EXPENDITURES AND OTHER FINANCING USES

YEAR ENDED JUNE 30, 2018

WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2017

| | <u>2018</u> | <u>2017</u> |
|---------------------------------------|----------------|----------------|
| <u>Compensatory Education</u> | | |
| Salaries | 148,288 | 212,935 |
| Employee Benefits | 87,531 | 139,236 |
| Purchased Services | 43,634 | 35,915 |
| Supplies, Materials and Other | 20,400 | 2,013 |
| Total Compensatory Education | <u>299,853</u> | <u>390,099</u> |
| | | |
| <u>Career and Technical Education</u> | | |
| Salaries | 42,401 | 45,539 |
| Employee Benefits | 33,500 | 34,626 |
| Purchased Services | 35,287 | 45,353 |
| Supplies, Materials and Other | 70,295 | 77,746 |
| Payments to Other School Districts | 0 | 8,619 |
| Total Career and Technical Education | <u>181,483</u> | <u>211,883</u> |
| | | |
| <u>SUPPORTING SERVICES</u> | | |
| <u>Pupil</u> | | |
| <u>Guidance Services</u> | | |
| Salaries | 61,260 | 42,888 |
| Employee Benefits | 38,237 | 28,303 |
| Purchased Services | 342 | 613 |
| Supplies, Materials and Other | 50 | 54 |
| Total Guidance Services | <u>99,889</u> | <u>71,858</u> |
| | | |
| <u>Social Work Services</u> | | |
| Salaries | 46,455 | 40,036 |
| Employee Benefits | 30,934 | 27,016 |
| Total Social Work Services | <u>77,389</u> | <u>67,052</u> |
| | | |
| <u>Other Pupil Services</u> | | |
| Salaries | 15,782 | 19,891 |
| Employee Benefits | 7,567 | 14,655 |
| Purchased Services | 5,441 | 5,498 |
| Total Other Pupil Services | <u>28,790</u> | <u>40,044</u> |

PELLSTON PUBLIC SCHOOLS
PELLSTON, MICHIGAN

GENERAL FUND
ANALYSIS OF EXPENDITURES AND OTHER FINANCING USES

YEAR ENDED JUNE 30, 2018

WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2017

| | <u>2018</u> | <u>2017</u> |
|---|----------------|----------------|
| <u>Instructional Staff</u> | | |
| <u>Improvement of Instruction</u> | | |
| Salaries | 28,099 | 3,957 |
| Employee Benefits | 5,732 | 1,328 |
| Purchased Services | 23,577 | 3,493 |
| Supplies, Materials and Other | 5,256 | 0 |
| Payments to Other School Districts | 3,000 | 3,106 |
| Total Improvement of Instruction | <u>65,664</u> | <u>11,884</u> |
| <u>Educational Media Services</u> | | |
| Salaries | 814 | 0 |
| Employee Benefits | 276 | 0 |
| Purchased Services | 5,079 | 0 |
| Supplies, Materials and Other | 22,918 | 225 |
| Total Educational Media Services | <u>29,087</u> | <u>225</u> |
| <u>Supervision and Direction of Instructional Staff</u> | | |
| Salaries | 3,500 | 0 |
| Employee Benefits | 1,219 | 0 |
| Total Supervision and Direction of Instructional Staff | <u>4,719</u> | <u>0</u> |
| <u>General Administration</u> | | |
| <u>Board of Education</u> | | |
| Salaries | 2,670 | 3,090 |
| Employee Benefits | 204 | 236 |
| Purchased Services | 25,626 | 18,406 |
| Supplies, Materials and Other | 0 | 0 |
| Total Board of Education | <u>28,500</u> | <u>21,732</u> |
| <u>Executive Administration</u> | | |
| Salaries | 137,519 | 132,504 |
| Employee Benefits | 94,483 | 90,423 |
| Purchased Services | 1,324 | 5,705 |
| Supplies, Materials and Other | 6,481 | 7,818 |
| Total Executive Administration | <u>239,807</u> | <u>236,450</u> |

PELLSTON PUBLIC SCHOOLS
PELLSTON, MICHIGAN

GENERAL FUND
ANALYSIS OF EXPENDITURES AND OTHER FINANCING USES

YEAR ENDED JUNE 30, 2018

WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2017

| | <u>2018</u> | <u>2017</u> |
|--------------------------------------|----------------|----------------|
| <u>School Administration</u> | | |
| <u>Office of the Principal</u> | | |
| Salaries | 157,058 | 211,555 |
| Employee Benefits | 105,582 | 150,692 |
| Purchased Services | 19,875 | 16,979 |
| Supplies, Materials and Other | 1,972 | 1,828 |
| Total Office of the Principal | <u>284,487</u> | <u>381,054</u> |
| <u>Other School Administration</u> | | |
| Supplies, Materials and Other | 806 | 819 |
| Total Other School Administration | <u>806</u> | <u>819</u> |
| <u>Business</u> | | |
| <u>Fiscal Services</u> | | |
| Purchased Services | 68,800 | 66,500 |
| Supplies, Materials and Other | 99 | 79 |
| Total Fiscal Services | <u>68,899</u> | <u>66,579</u> |
| <u>Other Business Services</u> | | |
| Supplies, Materials and Other | 14,841 | 28,204 |
| Total Other Business Services | <u>14,841</u> | <u>28,204</u> |
| <u>Operation and Maintenance</u> | | |
| <u>Operating Building Services</u> | | |
| Salaries | 0 | 2,593 |
| Employee Benefits | 0 | 1,252 |
| Purchased Services | 305,924 | 276,954 |
| Supplies, Materials and Other | 178,467 | 172,789 |
| Capital Outlay | 47,761 | 95,084 |
| Total Operating Building Services | <u>532,152</u> | <u>548,672</u> |
| <u>Pupil Transportation Services</u> | | |
| Salaries | 132,441 | 138,575 |
| Employee Benefits | 77,295 | 75,056 |
| Purchased Services | 15,612 | 12,461 |
| Supplies, Materials and Other | 55,994 | 44,447 |
| Capital Outlay | 7,785 | 0 |
| Total Pupil Transportation Services | <u>289,127</u> | <u>270,539</u> |

PELLSTON PUBLIC SCHOOLS
PELLSTON, MICHIGAN

GENERAL FUND
ANALYSIS OF EXPENDITURES AND OTHER FINANCING USES

YEAR ENDED JUNE 30, 2018

WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2017

| | <u>2018</u> | <u>2017</u> |
|---|--------------|--------------|
| <u>Support Services-Central</u> | | |
| <u>Staff/Personnel Services</u> | | |
| Purchased Services | 2,370 | 4,740 |
| Supplies, Materials and Other | 129 | 64 |
| Total Staff/Personnel Services | 2,499 | 4,804 |
| <u>Information Management Services</u> | | |
| Purchased Services | 63,034 | 67,374 |
| Supplies, Materials and Other | 10,162 | 1,835 |
| Capital Outlay | 12,420 | 38,408 |
| Total Information Management Services | 85,616 | 107,617 |
| <u>Other Support Services</u> | | |
| Salaries | 22,084 | 20,757 |
| Employee Benefits | 18,671 | 16,910 |
| Purchased Services | 75,319 | 81,439 |
| Supplies, Materials and Other | 18,512 | 15,143 |
| Capital Outlay | 4,985 | 1,784 |
| Total Other Support Services | 139,571 | 136,033 |
| <u>COMMUNITY SERVICES</u> | | |
| <u>Community Activities</u> | | |
| Supplies, Materials and Other | 2,690 | 0 |
| Total Community Recreation | 2,690 | 0 |
| Total Expenditures | 5,385,979 | 5,430,651 |
| <u>OTHER FINANCING USES</u> | | |
| <u>Operating Transfers Out</u> | | |
| 2011 QZAB Bonds Debt Service Fund | 3,763 | 3,789 |
| 2010 QZAB Bonds Debt Service Fund | 73,678 | 74,228 |
| Total Other Financing Uses | 77,441 | 78,017 |
| TOTAL EXPENDITURES AND OTHER FINANCING USES | \$ 5,463,420 | \$ 5,508,668 |

PELLSTON PUBLIC SCHOOLS

PELLSTON, MICHIGAN

AGENCY FUND

STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND BALANCE

YEAR ENDED JUNE 30, 2018

| | <u>BALANCE</u> | <u>RECEIPTS</u> | <u>DISBURSEMENTS</u> | <u>BALANCE</u> |
|---------------------------------------|----------------|-----------------------|----------------------|----------------|
| | 6/30/17 | (Including Transfers) | | 6/30/18 |
| Cadwell Scholarship | \$ 14,159 | \$ 0 | \$ 1,000 | \$ 13,159 |
| Hayes Scholarship | 1,201 | 0 | 0 | 1,201 |
| Johnson Scholarship | 4,000 | 0 | 0 | 4,000 |
| Sports Concessions | 15,448 | 17,521 | 32,169 | 800 |
| Band Boosters | 1,518 | 0 | 0 | 1,518 |
| Beverage Consortium | 124 | 719 | 0 | 843 |
| MS-HS Christmas | 0 | 2,710 | 2,154 | 556 |
| Elem. Social Fund | 280 | 0 | 200 | 80 |
| Elem. Teachers Pop | 366 | 365 | 0 | 731 |
| Elementary Principal | 275 | 288 | 543 | 20 |
| Interest and Miscellaneous | 455 | 4,057 | 138 | 4,374 |
| MS/HS Principal | 260 | 139 | 398 | 1 |
| Middle School/High School Social Fund | 247 | 0 | 88 | 159 |
| Central Office | 621 | 0 | 226 | 395 |
| Learning Support SP Needs | 419 | 75 | 91 | 403 |
| Science/Trout | 428 | 0 | 193 | 235 |
| Athletic Discretionary | 1,077 | 2,284 | 3,361 | 0 |
| Support Staff Fund | 21 | 0 | 21 | 0 |
| Woodshop | 1,258 | 2,669 | 1,701 | 2,226 |
| Art | 4,081 | 2,387 | 3,246 | 3,222 |
| Athletic Fundraising | 345 | 1,158 | 1,023 | 480 |
| Class of 2016 | 203 | 0 | 1 | 202 |
| Class of 2017 | 300 | 0 | 0 | 300 |
| Class of 2018 | 839 | 483 | 1,000 | 322 |
| Elementary Drama | 2,324 | 3,914 | 2,872 | 3,366 |
| Elementary School Cash | 775 | 1,297 | 1,585 | 487 |
| Class of 2019 | 1,502 | 3,677 | 3,842 | 1,337 |
| Class of 2020 | 991 | 923 | 40 | 1,874 |
| First Grade | 625 | 325 | 866 | 84 |
| Fourth Grade | 540 | 279 | 392 | 427 |
| High School Drama | 299 | 0 | 95 | 204 |
| High School Student Council | 889 | 1,814 | 1,694 | 1,009 |
| Kindergarten | 1,321 | 158 | 713 | 766 |
| Math Department | 943 | 508 | 488 | 963 |
| Middle School Student Council | 318 | 2,668 | 2,348 | 638 |
| National Honors Society | 244 | 4,384 | 3,821 | 807 |
| Preschool | 713 | 1,198 | 791 | 1,120 |
| Robotics | 3,792 | 13,932 | 11,441 | 6,283 |
| Second Grade | 1,177 | 2,339 | 2,033 | 1,483 |
| Ski Club | 286 | 6,083 | 6,160 | 209 |
| Start | 1,061 | 1,480 | 1,276 | 1,265 |
| Student Flow | 2,671 | 1,070 | 3,634 | 107 |

PELLSTON PUBLIC SCHOOLS

PELLSTON, MICHIGAN

AGENCY FUND

STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND BALANCE

YEAR ENDED JUNE 30, 2018

| | <u>BALANCE</u> 6/30/17 | <u>RECEIPTS</u> (Including Transfers) | <u>DISBURSEMENTS</u> | <u>BALANCE</u> 6/30/18 |
|---------------------------------|---------------------------|--|----------------------|---------------------------|
| Third Grade | 597 | 697 | 742 | 552 |
| Yearbook | 1,714 | 1,723 | 1,697 | 1,740 |
| Youth Enrichment Homeless | 757 | 387 | 663 | 481 |
| John McLarty Family Scholarship | 8,500 | 0 | 500 | 8,000 |
| Class of 2021 | 895 | 450 | 0 | 1,345 |
| Class of 2022 | 652 | 0 | 0 | 652 |
| Football | 1,740 | 11,528 | 7,618 | 5,650 |
| Baseball | 897 | 3,243 | 1,991 | 2,149 |
| Volleyball | 2,191 | 13,943 | 12,070 | 4,064 |
| Softball | 1,989 | 4,321 | 2,714 | 3,596 |
| Girls Basketball | 2,927 | 2,471 | 3,937 | 1,461 |
| Track | 2,793 | 1,168 | 3,961 | 0 |
| Cross Country | 0 | 1,721 | 586 | 1,135 |
| Boys Basketball | 2,373 | 10,315 | 11,871 | 817 |
| Bleacher Field House | 4,425 | 300 | 4,725 | 0 |
| 5th grade | 263 | 798 | 502 | 559 |
| 6th Grade | 525 | 1,436 | 1,701 | 260 |
| Parent Class 2027 | 311 | 1,697 | 1,041 | 967 |
| Employee Wellness | 885 | 0 | 0 | 885 |
| Gene Haas Scholarship | 1,000 | 2,000 | 1,000 | 2,000 |
| Wrestling | 39 | 10,090 | 8,037 | 2,092 |
| | <u>\$ 103,869</u> | <u>\$ 149,192</u> | <u>\$ 157,000</u> | <u>\$ 96,061</u> |

Represented by

| | | |
|---------------------------------|-------------------|------------------|
| Assets | | |
| Cash and Cash Equivalents | \$ 27,073 | \$ 15,109 |
| Investments | 79,881 | 80,952 |
| Total Assets | <u>\$ 106,954</u> | <u>\$ 96,061</u> |
| Liabilities | | |
| Accounts Payable | \$ 3,085 | \$ 0 |
| Due to Groups and Organizations | 103,869 | 96,061 |
| Total Liabilities | <u>\$ 106,954</u> | <u>\$ 96,061</u> |

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PELLSTON PUBLIC SCHOOLS
PELLSTON, MICHIGAN

SCHEDULE OF BONDS PAYABLE
JUNE 30, 2018

| | | |
|--|--|-----------|
| <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 | \$ | 3,905,000 |
| Redeemed During Current Year | 760,000 | 4,665,000 |
| | | 4,665,000 |
| <u>BALANCE OUTSTANDING - June 30, 2018</u> | \$ | 3,275,000 |

| <u>DUE DATES</u> | <u>INTEREST RATES</u> | <u>REQUIREMENTS</u> | | |
|------------------|-----------------------|---------------------|-----------------|------------------|
| | | <u>TOTAL</u> | <u>INTEREST</u> | <u>PRINCIPAL</u> |
| 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 |
| | | \$ 3,614,912 | \$ 339,912 | \$ 3,275,000 |

PELLSTON PUBLIC SCHOOLS
PELLSTON, MICHIGAN

SCHEDULE OF BONDS PAYABLE
JUNE 30, 2018

| | | | |
|--|------------------------------------|---------|---------|
| <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 | \$ | 497,000 | |
| Redeemed During Current Year | | 71,000 | 568,000 |
| | | | 568,000 |
| <u>BALANCE OUTSTANDING - June 30, 2018</u> | | \$ | 142,000 |

| <u>DUE DATES</u> | <u>INTEREST</u> | <u>REQUIREMENTS</u> | | |
|------------------|-----------------|---------------------|-----------------|------------------|
| | <u>RATES</u> | <u>TOTAL</u> | <u>INTEREST</u> | <u>PRINCIPAL</u> |
| November 1, 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 |
| | | | | 71,000 |
| | | \$ 154,780 | \$ 12,780 | \$ 142,000 |

PELLSTON PUBLIC SCHOOLS
PELLSTON, MICHIGAN

SCHEDULE OF BONDS PAYABLE
JUNE 30, 2018

| | | | |
|--|------------------------------------|---|----------------|
| <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, 2018</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, 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 |
| | | \$ 403,533 | \$ 88,533 | \$ 315,000 |
| | | | | |

PELLSTON PUBLIC SCHOOLS
PELLSTON, MICHIGAN

SCHEDULE OF BONDS PAYABLE
JUNE 30, 2018

| | | | |
|--|--|---------|----------------|
| <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 | \$ | 260,000 | |
| Redeemed During Current Year | | 160,000 | 420,000 |
| | | | |
| <u>BALANCE OUTSTANDING - June 30, 2018</u> | \$ | | <u>350,000</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, 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 |
| | | | | |
| | | \$ 361,500 | \$ 11,500 | \$ 350,000 |
| | | | | |

