

**PELLSTON PUBLIC SCHOOLS**  
**PELLSTON, MICHIGAN**

**FINANCIAL STATEMENTS**  
**JUNE 30, 2021**



**SCHULZE, OSWALD, MILLER & EDWARDS PC**  
**CERTIFIED PUBLIC ACCOUNTANTS**  
**989-354-8707**

PELLSTON PUBLIC SCHOOLS  
PELLSTON, MICHIGAN  
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PELLSTON PUBLIC SCHOOLS  
PELLSTON, MICHIGAN  
ADMINISTRATION BOARD LIST  
JUNE 30, 2021

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ADMINISTRATION

SUPERINTENDENT

STEPHEN SEELYE

BOARD OF EDUCATION

PRESIDENT

JAMES MILBRANDT

VICE PRESIDENT

ROBERT THOMSON

TREASURER

MARK ZINK

SECRETARY

KRISTEN BAUER-FRYE

TRUSTEE

BRYAN SEARLES

TRUSTEE

SERENITY DANKERT

TRUSTEE

STEPHANIE BROMLEY



**INDEPENDENT AUDITORS' REPORT**

Board of Education  
Pellston Public Schools

**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**, (the "District") as of and for the year ended June 30, 2021, 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 includes 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 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 polices used and the reasonableness of significant 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**, as of June 30, 2021, and the respective changes in financial position, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

***Other Matters***

***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and other required supplementary information, as identified in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the

basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

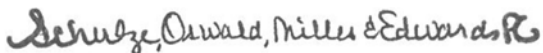
*Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise **Pellston Public School's** basic financial statements. The comparative schedules of revenues and other financing sources, and expenditures, and the statement of changes in deposits held for others are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, and is also not a required part of the basic financial statements.

The additional supplementary information is the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the 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, based on our audit, the combining and individual nonmajor fund financial statements, the comparative schedules of revenues and other financing sources and expenditures, the statement of changes in deposits held for others, and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated October 1, 2021, on our consideration of **Pellston Public School's** internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering **Pellston Public School's** internal control over financial reporting and compliance.



Schulze, Oswald, Miller & Edwards PC  
Alpena, Michigan  
October 1, 2021

**Governmental funds.** *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the District-wide financial statements. However, unlike the District-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a District's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the District-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the District-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The District maintains six individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general, debt service fund, special revenue fund – food service, and the other non-major governmental funds (the special revenue fund – student activities, debt service fund, and capital projects fund).

The District adopts an annual appropriated budget for its general and other major funds. Budgetary comparison statements or schedules have been provided for the general fund herein to demonstrate compliance with those budgets.

The basic governmental fund financial statements can be found on pages 12 - 15 of this report.

**Fiduciary funds.** Fiduciary funds are for assets that belong to others, such as certain scholarship funds where the District is the trustee or fiduciary. The District cannot use these assets to finance its operations but it is responsible to ensure that these funds are used for their intended purposes. Only measurable and currently available funds are reported. Liabilities to beneficiaries are recognized when an event has occurred that compels the District to disburse fiduciary resources. Some of these funds are established by State law and by bond covenants while others can be established for the District to control and manage money for a particular purpose such as school lunch and athletics.

The basic fiduciary fund financial statements can be found on page 16 - 17 of this report.

**Notes to the 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 18 - 38 of this report.

### **District-wide Financial Analysis**

As noted earlier, net position may serve over time as a useful indicator of the District's financial position. In the case of Pellston Public Schools, net position was a deficit of (\$6,358,618) at the close of the most recent fiscal year. This is inclusive of long-term debt relating to pension and other post employment benefit obligations.

A portion of the District's net position, \$1,680,044, reflects its investment in capital assets (e.g., land, buildings, vehicles, and equipment), less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to the students it serves; consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

As management of the Pellston Public Schools (the "District"), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2021.

### Financial Highlights

- The net position of the District was a deficit of (\$6,358,618). Of this amount, is (\$8,723,666) (*unrestricted net position*), \$1,680,044 is invested in capital assets (*net of related debt*), \$85,355 is nonspendable inventory/prepays, \$388,880 is restricted, \$197,005 is committed and \$13,764 is assigned.
- The District's total net position increased by \$1,712,706.
- As of the close of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$2,311,203, an increase of \$479,830 in comparison with the prior year. Approximately 71%, or \$1,647,347 is *available for spending* at the District's discretion (*unassigned fund balance*).
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$1,647,347 or 26% percent of total general fund expenditures.
- The District's total debt decreased by \$890,000.

### Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements comprise three components: 1) District-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

**District-wide financial statements.** The *District-wide financial statements* are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business.

The *statement of net position* presents information on all of the District's assets and liabilities, with the difference between the two reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The *statement of activities* presents information showing how the District's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., earned but unused sick or vacation leave).

Both of the District-wide financial statements present functions of the District that are principally supported by taxes and intergovernmental revenues (*governmental activities*). The governmental activities of the District include instruction, support services, food service, community services, and care and custody of children. The District has no business-type activities as of and for the year ended June 30, 2021.

The district-wide financial statements can be found on pages 10 - 11 of this report.

**Fund financial statements.** A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into two categories: governmental funds and fiduciary funds.

<b>Governmental Activities</b>	<u>2021</u>	<u>2020</u>
<b>Assets</b>		
Current and Other Assets	\$ 3,490,199	\$ 2,843,350
Capital Assets, Net	<u>2,790,541</u>	<u>2,250,180</u>
Total Assets	<u>4,790,315</u>	<u>5,093,530</u>
<b>Deferred Outflows of Resources</b>		
Related to pensions	2,181,420	2,242,447
Related to OPEB	757,007	756,082
Charge on Refunding	<u>13,465</u>	<u>26,931</u>
Total Deferred Outflows	<u>2,951,892</u>	<u>3,025,460</u>
<b>Liabilities</b>		
Current Liabilities	1,187,830	1,951,752
Long-term Liabilities	<u>12,925,614</u>	<u>12,687,116</u>
Total Liabilities	<u>14,113,444</u>	<u>14,638,868</u>
<b>Deferred Inflows of Resources</b>		
Related to pensions	176,115	650,889
Related to OPEB	<u>1,301,691</u>	<u>935,496</u>
Total Deferred Outflows	<u>1,477,806</u>	<u>1,586,385</u>
<b>Net Position</b>		
Invested in Capital Assets,		
Net of Related Debt	1,680,044	300,220
Nonspendable	85,355	46,300
Restricted	388,880	158,220
Committed	197,005	192,999
Assigned	13,764	14,654
Unrestricted	<u>(8,723,666)</u>	<u>(8,818,656)</u>
<b>Total Net Position</b>	<b>\$ <u>(6,358,618)</u></b>	<b>\$ <u>(8,106,263)</u></b>

An additional portion of the District's net position \$388,880 (6%) represents resources that are subject to external restrictions on how they may be used. The remaining balance is *unrestricted net position*, (\$8,723,666).

The District's net position increased by \$1,712,706 during the current fiscal year. Most of this increase is attributable to an increase in revenues when compared to the prior year. The District's blended enrollment was approximately 439 students.

**District's Changes in Net Position**

**Governmental Activities**

	<u>2021</u>	<u>2020</u>
<b>Revenue</b>		
Program Revenue		
Charges for Services	\$ 36,821	\$ 85,619
Operating Grants	784,205	1,493,076
Capital Grants	107,797	92,473
General Revenue:		
Property Taxes	5,048,670	4,191,695
State School Aid	1,828,160	1,763,431
Interest and investment earnings	8,343	25,989
Other	1,314,679	45,607
<b>Total Revenue</b>	<u>9,128,675</u>	<u>7,697,890</u>
<b>Expenses</b>		
Instruction	3,946,976	4,004,352
Support Services	2,168,544	1,672,824
Food Service	639,880	555,096
Community Services	7,260	3,944
Facility Acquisitions	-	-
Athletics	164,673	160,974
Student/school Activities	85,173	123,975
Depreciation - unallocated	395,999	371,209
Interest on Long Term Debt	7,464	124,303
<b>Total Expenses</b>	<u>7,415,969</u>	<u>7,016,677</u>
<b>Increase (Decrease) in Net Position</b>	<b>1,712,706</b>	<b>681,213</b>
Net Position, Beginning of Year, as restated	(8,071,324)	(8,787,476)
<b>Net Position, End of Year</b>	<b>\$ <u>(6,358,618)</u></b>	<b>\$ <u>(8,106,263)</u></b>

**Governmental activities.** Governmental activities increased the District's net position by \$1,713,706. The primary reason for this increase was increased State Aid and mindful spending.

**Financial Analysis of the Government's Funds**

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

*Governmental funds.* The focus of the District's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the District's financing requirements. In particular, *unassigned fund balance* may serve as a useful measure of the District's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$2,311,203, an increase of \$479,830 in comparison with the prior year. Approximately 71% of this total amount \$1,647,347 constitutes *unassigned fund balance*, which is available for spending at the District's discretion. The remainder of fund balance is *restricted* to indicate that it is not available for new spending because the underlying assets are included in debt retirement, food service, capital projects and the school store and are not available for current expenditure. *Committed fund* balance is \$197,005 for facility improvements and student/school activities.

The general fund is the principal operating fund of the District. At the end of the current fiscal year, unassigned fund balance of the general fund was \$1,647,347. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance and total fund balance represent approximately 26% and 29% respectively of total general fund expenditures.

The fund balance of the District's general fund increased by \$247,055 during the current fiscal year. Revenues increased \$678,066 and expenditures increased by \$657,423 compared to the prior year.

The food service fund has a total fund balance of \$148,086, which increased by \$41,755 this year.

The 2008 debt service fund has a total fund balance of \$213,126, which decreased by \$171,269 this year.

The student activity fund has a total fund balance of \$97,005, which increased by \$4,007 this year.

The school store fund has a total fund balance of \$9,314, which decreased by \$1,022 this year.

The 2012 capital projects fund has a total fund balance of \$0, which decreased by \$19,697 this year.

The capital projects fund has a total fund balance of \$36,445, which increased by \$36,445 this year.

**General Fund Budgetary Highlights**

Differences between the original and final amended budgets were relatively small, with revenues increasing by 14% and expenses decreasing by 8% in total from beginning to final. The excess of revenues over expenditures budgetary figure was less than the actual results by \$54,676 for the General Fund. As additional information became known during the fiscal year, budget amendments were made to recognize the increase in revenue and/or planned expenditures related to various District programs.

**Capital assets.** The District's investment in capital assets for its governmental activities as of June 30, 2020, amounted to \$2,250,179 (net of accumulated depreciation). Investment in capital assets includes land, land improvements, buildings, vehicles and equipment.

There were capital asset acquisitions of \$936,360 and no disposals during the current fiscal year.

**District's Capital Assets**  
(net of depreciation)

	<u>2021</u>	<u>2020</u>
Land	\$ 435,000	\$ 435,000
Land Improvement	-	-
Buildings	1,713,530	1,291,189
Vehicles	292,501	238,700
Equipment	<u>349,508</u>	<u>285,290</u>
<b>Total</b>	<b>\$ <u>2,790,539</u></b>	<b>\$ <u>2,250,179</u></b>

Additional information on the District’s capital assets can be found in Note 5 of this report.

**Long-term debt.** The district currently has a 2011 Bond issue with an outstanding balance of \$255,000 and 2008 Refunding on bonds with an outstanding balance of \$850,000. Additional information on the District’s long-term debt can be found in Note 7 of this report.

**Factors Bearing on the District’s Future**

The following factors were considered in preparing the District’s budget for the 2021-2022 fiscal year:

- The global pandemic has continued to create unfavorable conditions for people to move into the area or to remain in the area. This factor contributes to stagnant student counts. The budget is based on a blended student count of 485.
- The costs of utilities, health insurance, and other contractual obligations continue to impact the budget, even though budget reductions have been implemented. Three primary factors weigh most heavily on our budget:
  1. Increases and additions to retirement programs will impact future costs.
  2. Unpredictable changes in state and federal allocations.
  3. Escalating health insurance costs.
- Declining enrollment continues to create program and fiscal stress for the District.

**Requests for Information**

This financial report is designed to provide a general overview of the District’s finances for all those with an interest in the government’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  
Superintendents of Schools  
172 W. Park Street  
Pellston, MI 49769

PELLSTON PUBLIC SCHOOLS  
PELLSTON, MICHIGAN  
DISTRICT-WIDE STATEMENTS  
STATEMENT OF NET POSITION  
JUNE 30, 2021

	<u>GOVERNMENTAL ACTIVITIES</u>
<b><u>Assets</u></b>	
Cash and investments	\$ 2,882,266
Accounts receivable	-
Due from governmental units	522,578
Inventory	39,239
Prepaid expenses	46,116
Capital assets - net	2,790,541
TOTAL ASSETS	<u>6,280,740</u>
<b><u>DEFERRED OUTFLOW OF RESOURCES</u></b>	
Related to pensions	2,181,420
Related to OPEB	757,007
Charge on refunding	13,465
TOTAL DEFERRED OUTFLOW OF RESOURCES	<u>2,951,892</u>
<b><u>LIABILITIES</u></b>	
Accounts payable	12,384
Accrued salaries and withholdings	529,946
Accrued interest	8,834
Unearned revenue	636,666
Due to other governments	-
Long-term liabilities	
Due within one year	910,000
Due in more than one year	226,095
Net pension liability	10,166,854
Net OPEB liability	1,622,665
TOTAL LIABILITIES	<u>14,113,444</u>
<b><u>DEFERRED INFLOWS OF RESOURCES</u></b>	
Related to pensions	176,115
Related to OPEB	1,301,691
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>1,477,806</u>
<b><u>NET POSITION</u></b>	
Invested in capital assets, net of related debt	1,680,044
Nonspendable - Inventory	39,239
Nonspendable - Prepays	46,116
Restricted for capital projects	36,445
Restricted for food service	134,319
Restricted for debt service	213,126
Restricted for school store	4,990
Committed for student activities	97,005
Committed for facility improvements	100,000
Assigned for Flite Night	13,764
Unrestricted	(8,723,666)
TOTAL NET POSITION	<u>\$ (6,358,618)</u>

SEE ACCOMPANYING NOTES WHICH ARE AN INTEGRAL PART OF THE FINANCIAL STATEMENTS.

PELLSTON PUBLIC SCHOOLS  
PELLSTON, MICHIGAN  
DISTRICT-WIDE FINANCIAL STATEMENTS  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2021

<u>Functions/Programs</u>	<u>PROGRAM REVENUES</u>				<u>GOVERNMENTAL ACTIVITIES</u>
	<u>EXPENSES</u>	<u>CHARGES FOR SERVICES</u>	<u>OPERATING GRANTS</u>	<u>CAPITAL GRANTS</u>	<u>NET (EXPENSE) REVENUE AND CHANGES IN NET POSITION</u>
<b>Governmental Activities</b>					
Instruction	\$ 3,946,976	\$ -	\$ 639,869	\$ 107,797	\$ (3,199,310)
Support services	2,168,544	-	-	-	(2,168,544)
Community services	7,260	-	-	-	(7,260)
Food services	639,880	23,119	67,573	-	(549,188)
Athletics	164,673	13,702	-	-	(150,971)
Student/school activities	85,173	-	76,763	-	(8,410)
Interest on long term debt	7,464	-	-	-	(7,464)
Depreciation - unallocated	395,999	-	-	-	(395,999)
<b>Total Governmental Activities</b>	<u>\$ 7,415,969</u>	<u>\$ 36,821</u>	<u>\$ 784,205</u>	<u>\$ 107,797</u>	<u>(6,487,146)</u>
<b>General Revenues</b>					
<b>Taxes</b>					
Property taxes, levied for general operations					3,319,504
Property taxes, levied for debt service					1,052,452
Property taxes, levied for capital projects					676,714
State of Michigan aid, unrestricted					1,828,160
Interest and investment earnings					8,343
Other					1,314,679
<b>Total General Revenues</b>					<u>8,199,852</u>
<b>Change in Net Position</b>					1,712,706
<b>Net position - Beginning of Year, as restated</b>					<u>(8,071,324)</u>
<b>Net position - End of Year</b>					<u>\$ (6,358,618)</u>

SEE ACCOMPANYING NOTES WHICH ARE AN INTEGRAL PART OF THE FINANCIAL STATEMENTS.

PELLSTON PUBLIC SCHOOLS  
PELLSTON, MICHIGAN  
FUND FINANCIAL STATEMENTS  
BALANCE SHEET - GOVERNMENTAL FUNDS  
JUNE 30, 2021

	GENERAL	FOOD SERVICE	2008 DEBT RETIREMENT	NONMAJOR GOVERNMENTAL FUNDS	TOTALS
<b>ASSETS</b>					
Cash and investments	\$ 2,452,960	\$ 77,345	\$ 213,126	\$ 138,835	\$ 2,882,266
Accounts receivable	-	-	-	-	-
Due from other governmental units	483,383	39,195	-	-	522,578
Due from other funds	2,695	36,450	-	43	39,188
Inventory	21,148	13,767	-	4,324	39,239
Prepaid expense	46,116	-	-	-	46,116
<b>TOTAL ASSETS</b>	<b>\$ 3,006,302</b>	<b>\$ 166,757</b>	<b>\$ 213,126</b>	<b>\$ 143,202</b>	<b>\$ 3,529,387</b>
<b>LIABILITIES AND FUND BALANCES</b>					
<b>LIABILITIES:</b>					
Accounts payable	\$ 8,328	\$ 4,056	\$ -	\$ -	\$ 12,384
Accrued salaries and withholdings	529,946	-	-	-	529,946
Unearned revenue	622,051	14,615	-	-	636,666
Due to other governmental units	-	-	-	-	-
Due to other funds	38,750	-	-	438	39,188
<b>TOTAL LIABILITIES</b>	<b>1,199,075</b>	<b>18,671</b>	<b>-</b>	<b>438</b>	<b>1,218,184</b>
<b>FUND BALANCES:</b>					
Nonspendable - inventory	-	13,767	-	4,324	18,091
Nonspendable - prepaids	46,116	-	-	-	46,116
Restricted for food service	-	134,319	-	-	134,319
Restricted for debt service	-	-	213,126	-	213,126
Restricted for capital projects	-	-	-	36,445	36,445
Restricted for school store	-	-	-	4,990	4,990
Committed for student/ school activities	-	-	-	97,005	97,005
Committed for facility improvements	100,000	-	-	-	100,000
Assigned	13,764	-	-	-	13,764
Unassigned - General Fund	1,647,347	-	-	-	1,647,347
<b>TOTAL FUND BALANCES</b>	<b>1,807,227</b>	<b>148,086</b>	<b>213,126</b>	<b>142,764</b>	<b>2,311,203</b>
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<b>\$ 3,006,302</b>	<b>\$ 166,757</b>	<b>\$ 213,126</b>	<b>\$ 143,202</b>	<b>\$ 3,529,387</b>

SEE ACCOMPANYING NOTES WHICH ARE AN INTEGRAL PART OF THE FINANCIAL STATEMENTS.

**PELLSTON PUBLIC SCHOOLS**  
**PELLSTON, MICHIGAN**  
**FUND FINANCIAL STATEMENTS**  
**RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES**  
**TO THE NET POSITION OF GOVERNMENTAL ACTIVITIES**  
**JUNE 30, 2021**

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<b>Total Governmental Fund Balances</b>	<b>\$</b>	<b>2,311,203</b>
<p>Amounts reported for governmental activities in the statement of net position are different because:</p>		
<p>Capital assets used in governmental activities are not financial resources, and are not reported in the funds:</p>		
The cost of capital assets is		17,017,194
Accumulated depreciation is		(14,226,653)
<p>Deferred outflows used in governmental activities are not financial resources and therefore are not reported in the governmental funds:</p>		
Related to pensions		2,181,420
Related to OPEB		757,007
<p>Long term liabilities are not due and payable in the current period and are not reported in the funds:</p>		
Compensated absences		(25,598)
Bonds discount		(5,497)
Bonds payable		(1,105,000)
Net pension liability		(10,166,854)
Net OPEB liability		(1,622,665)
Accrued interest payable is included as a liability in governmental activities		(8,834)
<p>Deferred inflows used in governmental activities are not recognized as current resources and therefore are not reported in the governmental funds:</p>		
Related to pensions		(176,115)
Related to OPEB		(1,301,691)
<p>The issuance of long-term debt (e.g. bonds) provides current financial resources to governmental funds, while the repayment of principal of long-term debt consumes the current financial resources of governmental funds. Neither transactions, however, has any effect of premiums, discounts, and similar items when debt is first issued, where as these amounts are deferred and amortized in the statement of activities. The effect of these difference is the treatment of long-term debt and related items as follows:</p>		
Amortization of bond premium		13,465
Net Position of Governmental Activities	<b>\$</b>	<b><u>(6,358,618)</u></b>

**PELLSTON PUBLIC SCHOOLS**  
**PELLSTON, MICHIGAN**  
**FUND FINANCIAL STATEMENTS**  
**COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2021**

	GENERAL	FOOD SERVICE	2008 REFUNDING DEBT RETIREMENT	NONMAJOR GOVERNMENTAL FUNDS	TOTALS
<b>REVENUES:</b>					
Local sources	\$ 3,319,504	\$ 26,057	\$ 1,052,452	\$ 676,732	\$ 5,074,745
State sources	1,828,160	37,559	-	-	1,865,719
Federal sources	678,119	672,395	-	-	1,350,514
Interdistrict sources	749,539	-	-	-	749,539
Student activity income	-	-	-	88,158	88,158
<b>TOTAL REVENUES</b>	<b>6,575,322</b>	<b>736,011</b>	<b>1,052,452</b>	<b>764,890</b>	<b>9,128,675</b>
<b>EXPENDITURES:</b>					
Current:					
Instruction	3,819,341	-	-	-	3,819,341
Support services	2,198,828	-	-	640,269	2,839,097
Community services	1,913	-	-	-	1,913
Student/school activities	-	-	-	85,173	85,173
Athletics	164,673	-	-	-	164,673
Capital outlay	-	-	-	-	-
Intergovernmental payments	-	-	-	-	-
Debt service	143,512	-	900,880	-	1,044,392
Food service	-	694,256	-	-	694,256
<b>TOTAL EXPENDITURES</b>	<b>6,328,267</b>	<b>694,256</b>	<b>900,880</b>	<b>725,442</b>	<b>8,648,845</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>247,055</b>	<b>41,755</b>	<b>151,572</b>	<b>39,448</b>	<b>479,830</b>
<b>OTHER FINANCING SOURCES (USES):</b>					
Operating transfers in	-	-	19,697	-	19,697
Operating transfers (out)	-	-	-	(19,697)	(19,697)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>-</b>	<b>-</b>	<b>19,697</b>	<b>(19,697)</b>	<b>-</b>
<b>NET CHANGES IN FUND BALANCES</b>	<b>247,055</b>	<b>41,755</b>	<b>171,269</b>	<b>19,751</b>	<b>479,830</b>
<b>FUND BALANCES - Beginning of year, as restated</b>	<b>1,560,172</b>	<b>106,331</b>	<b>41,857</b>	<b>123,013</b>	<b>1,831,373</b>
<b>FUND BALANCES - End of year</b>	<b>\$ 1,807,227</b>	<b>\$ 148,086</b>	<b>\$ 213,126</b>	<b>\$ 142,764</b>	<b>\$ 2,311,203</b>

SEE ACCOMPANYING NOTES WHICH ARE AN INTEGRAL PART OF THE FINANCIAL STATEMENTS.

**PELLSTON PUBLIC SCHOOLS**  
**PELLSTON, MICHIGAN**  
**FUND FINANCIAL STATEMENTS**  
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND**  
**BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2021**

Net Change in Fund Balances - Total Governmental Funds \$ 479,830

Amounts reported for governmental activities are different because:

Government funds report capital outlays as expenditures;  
in the statement of activities these costs are allocated  
over their estimated useful lives as depreciation.

Depreciation expense	\$	(395,999)	
Capital Outlay		936,360	
			540,361

Accrued interest is recorded in the statement of activities  
when incurred: it is not reported in governmental  
funds until paid 6,002

(Increase) decrease in compensated absences are reported as  
expenditures when financial resources are used  
in the governmental funds 32,973

Payments on bonded debt are not an expense  
in the government wide statements where they  
reduce long term debt 890,000

The issuance of long-term debt (e.g. bonds) provides current financial  
resources to governmental funds, while the repayment of principal of  
long-term debt consumes the current financial resources of  
governmental funds. Neither transactions, however, has any effect of  
premiums, discounts, and similar items when debt is first issued,  
where as these amounts are deferred and amortized in the statement  
of activities. The effect of these differences is the treatment of long-  
term debt and related items as follows:

Amortization of bond discount:		5,497	
Amortization of deferred charges:	\$	(13,466)	(7,969)

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

Pension related items		(340,607)	
OPEB related items		112,116	

Change in Net Position of Governmental Activities \$ 1,712,706

PELLSTON PUBLIC SCHOOLS  
PELLSTON, MICHIGAN  
FIDUCIARY FUND  
STATEMENT OF FIDUCIARY NET POSITION  
JUNE 30, 2021

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	<u>2021</u>
<b><u>ASSETS</u></b>	
Cash	\$ <u>26,478</u>
 TOTAL ASSETS	 \$ <u><u>26,478</u></u>
 <b><u>LIABILITIES</u></b>	
Deposits held for others	\$ <u>-</u>
 TOTAL LIABILITIES	 <u>-</u>
 <b>NET POSITION</b>	
Restricted for scholarships	\$ <u><u>26,478</u></u>

SEE ACCOMPANYING NOTES WHICH ARE AN INTEGRAL PART OF THE FINANCIAL STATEMENTS.

**PELLSTON PUBLIC SCHOOLS**  
**PELLSTON, MICHIGAN**  
**FIDUCIARY FUND**  
**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION**  
**JUNE 30, 2020**

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<u>ADDITIONS</u>	<u>FIDUCIARY FUNDS</u>
Scholarship income	\$ -
Investment earnings	18
<b>TOTAL ADDITIONS</b>	<b>\$ 18</b>
<u>DEDUCTIONS</u>	
Payments made on behalf of scholarships	\$ -
Other disbursements	-
<b>TOTAL DEDUCTIONS</b>	<b>-</b>
<u>NET POSITION</u>	
BEGINNING OF YEAR, AS RESTATED	26,460
END OF YEAR	<b>\$ 26,478</b>

SEE ACCOMPANYING NOTES WHICH ARE AN INTEGRAL PART OF THE FINANCIAL STATEMENTS.

PELLSTON PUBLIC SCHOOLS  
PELLSTON, MICHIGAN  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2021

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies of Pellston Public Schools ("the District") conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the more significant policies used by the District:

**REPORTING ENTITY**

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

**DISTRICT-WIDE AND FUND FINANCIAL STATEMENTS**

The district-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. All the District's government wide activities are considered governmental activities.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenue includes (1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a certain function and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes, intergovernmental payments, and other items not properly included among program revenues are reported instead as general revenue.

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

**MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION**

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

As a general rule, the effect of inter-fund activity has been eliminated from the district-wide financial statements.

**Fund Based 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 the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar times are recognized as revenue as soon as all eligibility requirements are imposed by the provider have been met.

The fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, except for the recognition of certain liabilities to the beneficiaries of a fiduciary activity. Liabilities to beneficiaries are recognized when an event has occurred that compels the District to disburse fiduciary resources.

PELLSTON PUBLIC SCHOOLS  
PELLSTON, MICHIGAN  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2021

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION (continued)**

Property taxes, unrestricted state aid, intergovernmental grants and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenue of the current fiscal period. All other revenue items are considered to be available only when the cash is received by the District.

The fiduciary fund statement is also reported using the economic resources measurement focus and the accrual basis of accounting.

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 Special Revenue (School Service) fund accounts for the 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 2008 Refunding Debt Retirement Fund accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt of government funds.

**Other non-major funds:**

The Special Revenue (School Service) fund accounts for the revenue sources that are legally restricted to expenditures for specific purposes. The District accounts for its student activities and the school store in special revenue funds.

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

The Sinking Fund accounts for millage income levied to support the repair and construction of school buildings.

Fiduciary funds account for assets held by the District in a trustee capacity or as an agent on behalf of others. 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 custodial fund consists of assets for the benefit of individuals and the District does not have administrative involvement with the assets or direct financial involvement with the assets. In additions, the assets are not derived from the District's provision of goods or services to those individuals. This fund is used to account for assets that the District holds for others in an agency capacity (primarily scholarships).

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 as gross amounts as transfers in/out. While reported in the 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.

**ASSETS, LIABILITIES AND NET POSITION OR EQUITY**

Deposits and Investments - Cash and cash equivalents include cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

In accordance with Michigan Compile Laws, the district is authorized to invest in the following investment vehicles:

\*Bonds, securities, and other obligations of the United States or an agency or instrumentality of the United States.

\*Certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank which a member of a bank which is a member of the Federal Deposit Insurance Corporation (FDIC) or a savings and loan association which is a member of the Federal Savings and Loan Insurance Corporation (FSLIC) or a credit union which is insured by the National Credit Union

PELLSTON PUBLIC SCHOOLS  
PELLSTON, MICHIGAN  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2021

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

\*(continued) Administration (NCUAA), but only if the bank, savings and loan association, or credit union is eligible to be a depository of surplus funds belonging to the State under section 5 or 6 of Act No. 105 of the Public Acts of 1855, as amended, being Section 21.145 and 21.146 of the Michigan Compiled Laws.

\*Commercial paper rated at the time of purchase within the three (3) highest classifications established by not less two (2) standard rating services and which matures not more than 270 days after the date of purchases.

\*The United States government of federal agency obligations repurchase agreements.

\*Bankers acceptances of United States banks.

\*Mutual funds composed of investment vehicles, which are legal for direct investment by local units of governmental Michigan.

Michigan Compiled Laws allow for collateralization of governmental deposits, if the assets for pledging are acceptable to the State Treasurer under Section 3 of 1855 PA 105, MCL 21.143, to secure deposits of State surplus funds, securities issued by the Federal National Mortgage Association, or Governmental National Mortgage Association.

Receivables and Payables - In general, outstanding balances between funds are reported as "due to/from other funds." Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "advances to/from other funds."

Property tax and other trade receivables are shown net of an allowance for uncollectible amounts. The taxpayers of the District have their properties assessed as of December 31 and the related property taxes are levied and become a lien on December 1 for 100% of the taxes which are due February 28. The 2020 taxable value of the District was \$149,718,772 principal residence and \$182,860,526 non-principal residence. The District levied 18.0000 mills for operating purposes on non-homestead and 3.1000 mills for debt service and 1.9906 mills sinking fund purposes on all property for 2020.

The State of Michigan utilized a foundation allowance approach, which provides for a specific annual amount of revenue per student based on a state-wide formula. The foundation allowance is funded from a combination of state and local sources.

Revenues from state sources are primarily governed by the School Aid Act and the School Code of Michigan. The state portion of the foundation is provided from the state's School Aid Fund and is recognized as revenue in accordance with state law and accounting principles generally accepted in the United States of America.

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 categorical 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.

Inventories and Prepaid items - Inventories are valued at cost, on a first-in, first-out basis. Inventory is maintained in the Special Revenue Funds (Food Service & School Store Funds). Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both district-wide and fund financial statements.

Capital Assets - Capital assets, which include land, buildings, equipment, and vehicles are reported in the applicable governmental column in the government-wide financial statements. Capital assets are defined by the District as assets with an individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Costs of normal repair and maintenance that do not add to the value or materially extend the asset life are not capitalized. The District does not have infrastructure type assets.

PELLSTON PUBLIC SCHOOLS  
PELLSTON, MICHIGAN  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2021

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

Buildings, equipment, and vehicles are depreciated using the straight-line method over the following useful lives:

Buildings and additions	20 - 50 years
Buses and other vehicles	10 years
Furniture and other equipment	10 - 20 years

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, 2021 the foundation allowance was based on pupil membership counts taken in October 2019 and February 2020.

For fiscal year ended June 30, 2021, the per pupil foundation allowance was \$8,111 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 2020 to August 2021. 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.

Compensated Absences - Pellston Public Schools has a provision in its employee policy whereby terminal leave vests with each employee and, consequently, the District has a financial obligation it must meet at such time the employee leaves the employ of the District. The amount of these accrued termination benefits as of June 30, 2021 is approximately \$25,598 and has been reported as a liability on the General Fund Balance Sheet.

Long-term Obligations - In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net position.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources. Issuance costs are reported as other bond expenditures.

Fund Equity - Governmental fund equity is classified as fund balance. Government funds report *nonspendable* fund balance for amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually require to be maintained intact. *Restricted* fund balance is reported when externally imposed constraints are placed on the use of the resources by grantors, contributors, or laws or regulations of other governments. As applicable, committed fund balance is reported for amounts that can be used for specific purposes pursuant to constraints imposed by formal action of the District's highest level of decision making authority, the School Board. The District reports *assigned* fund balance for amounts that are constrained by the District's intent to be used for specific purposes, but are neither restricted or committed. *Unassigned* fund balance is the residual classification for the General Fund.

When the District incurs an expenditure for purposes for which various fund balance classifications can be used, it is the District's policy to use restricted fund balance first, then committed fund balance, and finally unassigned fund balance.

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

PELLSTON PUBLIC SCHOOLS  
PELLSTON, MICHIGAN  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2021

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

Deferred Outflows/Inflows of Resources - In addition to assets, the statement of financial position will sometimes report a separate section of deferred outflows of resources. This separate financial statement element, deferred outflow 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 or expenditure) until then. The District has two items that qualify for reporting in this category. It is the pension and OPEB contributions reported in the district-wide statement of net position. A deferred outflow is recognized for pension and OPEB contributions made after the plan's measurement date, but before the fiscal year end. The amount is amortized in the plan year in which it applies.

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 (receipts) until that time. The District has three items that qualify for reporting in this category. It is the future resources yet to be recognized in relation to the pension and OPEB actuarial calculation. The future resources arise from differences in the estimates used by the actuary to calculate the pension and OPEB liability and the actual results. The amounts are amortized over a period determined by the actuary. Deferred charges on refunding are also amortized over a number of years.

Events Occurring After Reporting Date - Management evaluates events occurring subsequent to the date of the financial statements in determining the accounting for and disclosure of transactions and events that affect the financial statements. Subsequent events have been evaluated through the date of the accompanying independent auditor's report, which is the date the financial statements were available to be issued.

**NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

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

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

Encumbrances are not liabilities and, therefore, are not recorded as expenditures until the receipt of materials or services. For budgetary purposes, appropriations lapse at fiscal year end and outstanding encumbrances are reappropriated in the next year.

Excess of Expenditures Over Appropriations in Budgeted Funds - The District did not incur expenditures in excess of the amended budget.

<u>Fund and Function</u>	<u>Appropriation</u>	<u>Expenditure</u>	<u>Variance</u>
NONE			

PELLSTON PUBLIC SCHOOLS  
PELLSTON, MICHIGAN  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2021

**NOTE 3 - DEPOSITS AND INVESTMENTS**

At year-end the District's deposits and investments were reported in the basic financial statements in the following categories:

	Governmental Activities	Fiduciary Funds	District Total
Cash and investments	\$ 2,882,266	\$ 26,478	\$ 2,908,744
Total	\$ 2,882,266	\$ 26,478	\$ 2,908,744

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

Deposits (checking, savings)	\$ 1,658,360
Investments (investment pool) MILAF + External Investment Pool - MIMAX	1,250,384
	\$ 2,908,744

As of June 30, 2021 the District had the following investments:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Weighted Average Maturity</u>
Standard & Poor's Rating AAAm, 100%	\$ 1,250,384	0.0027

**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; 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 (NRSROs). As of June 30, 2021, the District did not have any investments in commercial paper or corporate bonds.

**Concentration of credit risk**

The District will minimize the 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 portfolio so that the impact of potential losses from any one type of security or issuer will be minimized.

**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. At June 30, 2021, \$1,684,222 of the District's bank balance of \$3,183,825 was exposed to custodial risk because it was uninsured. The book balance of these accounts was \$2,908,744.

**Custodial credit risk - investments**

For an investment, this is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The District did not have any custodial credit risk on its investments at June 30, 2021. The District will minimize custodial credit risk, which is the loss due to the failure of the security issuer or backer, by; limiting investments to the types of securities allowed by law; and by pre-qualifying the financial institutions, brokers/dealers, intermediaries, and advisors with which the District will do business.

**Foreign currency risk**

The District is not authorized to invest in investments which have this type of risk.

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.

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**NOTE 3 - DEPOSITS AND INVESTMENTS (continued)**

MILAF+ reports as of June 30, 2021, 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.

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.

**NOTE 4 - RECEIVABLES**

Receivables as of year-end for the District's individual major funds and the nonmajor and fiduciary funds in the aggregate, including applicable allowances for uncollectible accounts, are as follows:

	General Fund	Food Service	2008 Refunding Debt Retirement	Nonmajor and Other Funds	Total
Receivables:					
Accounts receivable	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental	483,383	39,195	-	-	522,578
Total receivables	<u>\$ 483,383</u>	<u>\$ 39,195</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 522,578</u>

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**NOTE 4 - RECEIVABLES (continued)**

Governmental funds report unearned revenue in connection with receivables for revenue that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned. At the end of the current fiscal year, the various components of unearned revenue are as follows:

	Unearned
Grants and categorical aid payment not considered available	\$ 636,666
Payments received prior to meeting all eligibility requirements:	
Other	-
Totals	\$ 636,666
Total unearned revenue	\$ 636,666

**NOTE 5 - CAPITAL ASSETS**

Capital asset activity of the District's Governmental activities were as follows:

<u>Assets</u>	<u>Balance July 1, 2020</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2021</u>
Capital assets not being depreciated:				
Land	\$ 435,000	\$ -	\$ -	\$ 435,000
Subtotal	435,000	-	-	435,000
Capital assets being depreciated:				
Land improvements	75,000	-	-	75,000
Buildings & improvements	13,001,875	681,247	-	13,683,122
Buses & vehicles	714,417	124,157	-	838,574
Furniture & equipment	1,854,542	130,956	-	1,985,498
Subtotal	15,645,834	936,360	-	16,582,194
<u>Accumulated Depreciation</u>				
Land improvements	75,000	-	-	75,000
Buildings & improvements	11,710,686	258,906	-	11,969,592
Buses & vehicles	475,717	70,356	-	546,073
Furniture & equipment	1,569,252	66,738	-	1,635,990
Subtotal	13,830,655	396,000	-	14,226,655
Net capital assets being depreciated	1,815,179	540,360	-	2,355,539
Governmental Activities				
Total Capital Assets net of Depreciation	\$ 2,250,179	\$ 540,360	\$ -	\$ 2,790,539

Depreciation expense was not charged to activities as the District considers its assets to impact multiple activities and allocation is not practical. Total depreciation expense computed to \$396,000.

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**NOTE 6 - RECEIVABLES, PAYABLES AND TRANSFERS**

The composition of interfund balances is as follows:

<u>Receivable Fund</u>		<u>Payable Fund</u>	
General Fund	\$ 2,695	General Fund	\$ 38,750
Food Service Fund	36,450	Student Activities Fund	<u>438</u>
Student Store Fund	<u>43</u>		
Total	<u>\$ 39,188</u>	Total	<u>\$ 39,188</u>

**NOTE 7 - LONG-TERM DEBT**

The District issues bonds, notes, and other contractual commitments to provide for the acquisition and construction of major capital facilities and the acquisition of certain equipment. General obligation bonds are direct obligations and pledge full faith and credit of the school district.

Long-term debt activity can be summarized as follows:

	<u>Beginning Balance</u>	<u>Additions (Reductions)</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
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	\$ (60,000)	\$ 255,000	\$ 60,000
2008 Refunding Bonds, due through May 2022 in semiannual installments of interest and annual principal payments varying from \$810,000 - \$850,000 with interest rates ranging from 4% to 4.2%.	1,680,000	(830,000)	850,000	850,000
Bond Premium	-	5,497	5,497	-
Compensated Absences	<u>58,571</u>	<u>(32,973)</u>	<u>25,598</u>	<u>Unknown</u>
<b>Total Long-Term Debt</b>	<u>\$ 2,053,571</u>	<u>\$ (917,476)</u>	<u>\$ 1,136,095</u>	<u>\$ 910,000</u>

Annual debt service requirements to maturity for the General Obligation Bonds are as follows:

Year Ended June 30	<u>Governmental Activities</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	\$ 910,000	\$ 49,703	\$ 959,703
2023	65,000	10,188	75,188
2024	65,000	6,158	71,158
2025	<u>65,000</u>	<u>2,072</u>	<u>67,072</u>
Total	<u>\$ 1,105,000</u>	<u>\$ 68,121</u>	<u>\$ 1,173,121</u>

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

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**NOTE 8 - RISK MANAGEMENT**

The District is exposed to various risks of loss related to theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District maintains commercial insurance coverage covering each of those risks of loss. Management believes such coverage is sufficient to preclude any significant uninsured losses to the School District. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

The District participates in SET-SEG's risk management pools for worker's compensation claims, liability insurance and errors and omissions coverages. SET-SEG was established pursuant to laws of the State of Michigan which authorize local units of government to jointly exercise any power, privilege or authority which each might exercise separately. The purpose of SET-SEG is to provide cooperative and comprehensive risk financing and risk control services. SET-SEG provides risk management, underwriting, reinsurance and claim review and processing services for all member governments pursuant to its charter.

The District makes annual contributions to SET-SEG based on actuarial studies using historical data and insurance industry statistics. These contributions are paid from the General Fund. Such contributions as received by SET-SEG are allocated between its general and member retention funds. Economic resources in SET-SEG's General Fund are expended for reinsurance coverage, claim payments and certain general and administrative costs, whereas resources in the member retention fund are used for loss payments and defense costs up to the member's self-insurance retention limits along with certain other member-specific costs. Any refunds from SET-SEG are deposited in the District's General Fund.

**NOTE 9 - DEFINED PENSION PLAN AND POSTEMPLOYMENT 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 on the ORS website at [www.michigan.gov/orsschools](http://www.michigan.gov/orsschools).

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**

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

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**NOTE 9 - DEFINED PENSION PLAN AND POSTEMPLOYMENT BENEFITS (continued)**

**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 the Basic Plan member's contributions range from 0% - 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 Members, contribute at various graduated permanently fixed contribution rates from 3.0% - 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 contributions (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.

**Pension Reform 2012**

On September 4, 2012, the Governor signed Public Act 300 of 2012 into law. The legislation grant 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 began on or after February 2, 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 increase contribution would begin as of their transition date and continue until they 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 contributions to the pension fund as slated in Option 1 and retain the 1.5% pension factor in their pension formula. The increase contribution would begin as of their transition date and contribute 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 formulas for any service thereafter would include a 1.25% pension factor.

Option 3 - Members voluntarily elected not to increase their contributions 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 pension formula for any service thereafter will include a 1.25% pension factor.

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**NOTE 9 - DEFINED PENSION PLAN AND POSTEMPLOYMENT BENEFITS (continued)**

**Pension Reform 2012 (continued)**

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% and related earning in their 457 account. Upon retirement, if they meet age and service requirements (including their total years of service), they would also receive a pension (calculated based on years of service and final average compensation as of the day before their transition date and a 1.5% pension factor).

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 worked on or after September 4, 2012 chose between two retirement plans: the Pension Plus Plan and a Defined Contribution 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 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 employees 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 ration 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)**

Benefits 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 health care recipient. For members who first worked before July 1, 2008 (Basic, MIP-Fixed, and MIP-Graded plan members), the subsidy is the maximum allowed by statute.

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**NOTE 9 - DEFINED PENSION PLAN AND POSTEMPLOYMENT BENEFITS (continued)**

**Benefits Provided - Other postemployment benefit (OPEB) (continued)**

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.

Under Public Act 300 of 2012, members were given the choice between continuing 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% employee 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.

**Member Contributions**

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

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 PELLSTON, MICHIGAN  
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**NOTE 9 - DEFINED PENSION PLAN AND POSTEMPLOYMENT BENEFITS (continued)**

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.

**Member Contributions**

Depending on the plan selected, member contributions, range from 0% - 7% for pension and 0% - 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 At 300 of 1980, as amended, to contribute amounts necessary to finance the coverage of members and retiree Other Post-Employment Benefits (OPEB). Contribution provisions are specified by state statute and may be amended only by action of the State Legislature.

Employer contributions to the System are determined on an actuarial basis using the entry age normal actuarial cost method. Under this method, the actuarial present value of the projected benefits of each individual included in the actuarial valuation is allocated on a level basis over the service of the individual between entry age and assumed exit age. The normal cost is the annual cost assigned under the actuarial funding method, to the current and subsequent plan years. The remainder is called the actuarial accrued liability. Normal cost is funded on a current basis.

Pension and OPEB contributions made in the fiscal year ending September 30, 2019 were determined as of the September 30, 2016 actuarial valuations. The pension and OPEB benefits, the unfunded (overfunded) actuarial accrued liabilities as of September 30, 2016 are amortized over a 20-year period beginning October 1, 2018 and ending September 30, 2038.

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:

	Pension	Other postemployment benefit
	<u>13.39% - 19.59%</u>	<u>7.57% - 8.09%</u>
October 1, 2019 - September 30, 2020	13.39% - 19.59%	7.57% - 8.09%
October 1, 2020 - September 30, 2021	13.39% - 19.78%	7.57% - 8.43%

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**NOTE 9 - DEFINED PENSION PLAN AND POSTEMPLOYMENT BENEFITS (continued)**

The District's pension contribution for the year ended June 30, 2021 were equal to the required contribution total. Pension contributions were approximately \$674,000 with \$664,000 specifically for the Defined Benefit Plan.

The District's OPEB contribution for the year ended June 30, 2021 were equal to the required contribution total. Pension contributions were approximately \$80,000, with \$74,000 specifically for the Defined Benefit Plan.

These amounts, for both pension and OPEB benefit, include contributions funded from state revenue Section 147c restricted to fund the MPERS Unfunded Actuarial Accrued Liability (UAAL) Stabilization Rate (100% for pension and 0% for OPEB).

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

The net pension liability was measured as of September 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation date of September 30, 2019 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.

MPERS (Plan) Non-University Employers	September 30, 2019	September 30, 2020
Total Pension Liability	\$ 83,442,507,212	\$ 85,263,240,497
Plan Fiduciary Net Position	\$ 50,325,869,388	\$ 50,912,152,703
Net Pension Liability	\$ 33,116,637,824	\$ 34,351,087,794
Proportionate Share	0.02842%	0.29600%
Net Pension liability for the District	\$ 9,412,500	\$ 10,166,854

For the year ended June 30, 2021, Pellston Public Schools recognized pension expense of \$1,201,064. At June 30, 2021, Pellston Public Schools reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 155,341	\$ 21,700.00
Changes of assumptions	1,126,585	-
Net difference between projected and actual earnings on pension plan investments	42,717	-
Changes in proportion and differences between Districts and proportionate share of contributions	258,147	154,415
District's contributions subsequent to the measurement date	598,630	-
<b>Total</b>	<b>\$ 2,181,420</b>	<b>\$ 176,115</b>

\$598,630, reported as deferred outflows of resources related to pensions resulting from District employer contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the subsequent fiscal year.

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**NOTE 9 - DEFINED PENSION PLAN AND POSTEMPLOYMENT BENEFITS (continued)**

Other amounts reported as deferred outflows of resources and (deferred inflows) of resources related to pensions will be recognized in pension expense as follows:

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

Year Ending September 30	Amount
2021	\$ 557,229
2022	452,321
2023	293,292
2024	103,833
Total	\$ 1,406,675

**Actuarial Assumptions**

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

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

**OPEB Liabilities**

The net OPEB liability was measured as of September 30, 2020, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation date of September 30, 2019 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.

Employers	September 30, 2019	September 30, 2020
Total OPEB Liability	\$ 13,925,860,688	\$ 13,195,152,653
Plan Fiduciary Net Position	\$ 6,748,112,668	\$ 7,837,885,681
Net OPEB Liability	\$ 7,177,748,020	\$ 5,357,266,972
Proportionate Share	0.02926%	0.03029%
Net OPEB liability for the District	\$ 2,100,051	\$ 1,622,665

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

For the year ended June 30, 2021, the District recognized OPEB benefit of \$167,747.

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**NOTE 9 - DEFINED PENSION PLAN AND POSTEMPLOYMENT BENEFITS (continued)**

At June 30, 2021, the Reporting Unit reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 1,209,037
Changes of assumptions	535,025	-
Net difference between projected and actual earnings on OPEB plan investments	13,543	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	163,604	92,654
Employer contributions subsequent to the measurement date*	44,835	-
<b>Total</b>	<b>\$ 757,007</b>	<b>\$ 1,301,691</b>

\$44,835, reported as deferred outflows of resources related to OPEB resulting from District employer contributions subsequent to the measurement date, will be recognized as a reduction of the net OPEB liability in the subsequent fiscal year.

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

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

Year Ending September 30	Amount
2021	\$ (176,136)
2022	(156,821)
2023	(113,410)
2024	(73,155)
2025	(69,997)
Total	\$ (589,519)

**Actuarial Assumptions**

Investment rate of return for Pension - 6.80% a year, compounded annually net of investment and administrative expenses for the Non-Hybrid groups and 6.0% a year, compounded annually net of investment and administrative expense for the Hybrid group (Pension Plus plan).

Investment rate of return for OPEB - 6.95% a year, compounded annually net of investment and administrative expenses.

Salary increase - The rate of pay increase used for individual members is 2.75% - 11.55%, including wage inflation at 2.75%.

Inflation - 3.0%

PELLSTON PUBLIC SCHOOLS  
PELLSTON, MICHIGAN  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2021

**NOTE 9 - DEFINED PENSION PLAN AND POSTEMPLOYMENT BENEFITS (continued)**

**Mortality assumptions**

Retirees - RP-2014 Male and Female Healthy Annuitant Mortality Tables scaled by 82% for males and 78% for females and adjusted for mortality improvements using projection scale MP-2017 from 2006.

Active - RP-2014 Male and Female Employee Annuitant Mortality Tables scaled 100% and adjusted for mortality improvements using projection scale MP-2017 from 2006.

Disabled Retirees - RP-2014 Male and Female Disabled Annuitant Mortality Tables scaled 100% and adjusted for mortality improvements using projection scale MP-2017 from 2006.

Experience study - The annual actuarial valuation report of the System used for these statements is dated September 30, 2019. Assumption changes as a result of an experience study for the periods 2012 through 2017 have been adopted by the System for use in the determination of the total pension and OPEB liability beginning with the September 30, 2018 Comprehensive Annual Financial Report.

The long-term expected rate of return on pension and other postemployment benefit plan investments - The pension rate was 6.80% (MIP, Basic, and Pension Plus Plan) and 6.00% for Pension Plus 2 Plan, and the other postemployment benefit rate was 6.95%, 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 and OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

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

Healthcare cost trend rate for other postemployment benefit - 7% for year one and graded to 3.50% to year fifteen

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 coverages continuing after the retiree's death.

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

**Long-Term Expected Return on Plan Assets**

Target asset allocation as of September 30, 2019 and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long Term Expected Real Rate of Return*</u>
Domestic Equity Pools	25.0%	5.6%
Private Equity Pools	16.0%	9.3%
International Equity	15.0%	7.4%
Fixed Income Pools	10.5%	0.5%
Real Estate and Infrastructure Pools	10.0%	4.9%
Absolute Return Pools	9.0%	3.2%
Real Return/Opportunistic Pools	12.5%	6.6%
Short Term Investment Pools	2.0%	(0.1%)
<b>Total</b>	<b>100.0%</b>	

\*Long-term rates of return are net of administrative expenses and 2.1% inflation.

PELLSTON PUBLIC SCHOOLS  
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NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2021

**NOTE 9 - DEFINED PENSION PLAN AND POSTEMPLOYMENT BENEFITS (continued)**

Rate of return – For fiscal year ended September 30, 2020, the annual money-weighted rate of return on pension and OPEB plan investments, net of pension and OPEB plan investment expense, was 5.37% and 5.24% respectively. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Pension discount rate - A single discount rate of 6.80% was used to measure the total pension liability (6.00% for the Pension Plus 2 Plan). This discount rate was based on the expected rate of return on pension plan investments of 6.80% (6.00% for the Pension Plus 2 Plan). The projection of cash flows used to determine this single discount rate assumed that plan member contributions will be made at the current contribution rate and that contributions from school districts will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those 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.

OPEB discount rate - A single discount rate of 6.95% was used to measure the total OPEB liability. This discount rate was based on the long-term expected rate of return on OPEB plan investments of 6.95%. The projection of cash flows used to determine this discount rate assumed that plan member contributions will be made at the current contribution rate and that 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 projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

Sensitivity of the net pension liability to changes in the discount rate - The following presents the Reporting Unit's proportionate share of the net pension liability calculated using a single discount rate of 6.80% (6.00% for the Pension Plus 2 Plan), as well as what the Reporting Unit'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:

	Pension		
	1% Decrease	Current Discount Rate	1% Increase
District's proportionate share of the net pension liability	\$13,159,267	\$10,166,854	\$7,686,810

Sensitivity 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 a single discount rate of 6.95%, 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:

	OPEB		
	1% Decrease	Current Discount Rate	1% Increase
District's proportionate share of the net OPEB liability	\$2,084,497	\$1,622,665	\$1,233,840

PELLSTON PUBLIC SCHOOLS  
PELLSTON, MICHIGAN  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2021

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**NOTE 9 - DEFINED PENSION PLAN AND POSTEMPLOYMENT BENEFITS (continued)**

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 7.0% (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:

	OPEB		
	1% Decrease	Current Healthcare	1% Increase
District's proportionate share of the net OPEB liability	\$1,218,953	\$1,622,665	\$2,081,837

**OPEB Plan Fiduciary Net Position**

Detailed information about the pension and OPEB's fiduciary net position is available in the separately issued Michigan Public School Employees Retirement System 2020 Comprehensive Annual Financial Report.

Payable to the pension and OPEB plan - At year end the School District is current on all required pension and other postemployment benefit plan payments. Amounts accrued at year end for accounting purposes are separately stated in the financial statements as a liability titled accrued retirement. These amounts represent current payments for June paid in July, accruals for summer pay primarily for teachers, and the contributions due from state revenue Section 147c restricted to fund the MPSERS Unfunded Actuarial Accrued Liability (UAAL).

**NOTE 10 - CONTINGENCIES**

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

The District is a reimbursing employer to the State of Michigan Unemployment Agency and as such is responsible to pay the Agency for all benefits paid and charged to the District. As of June 30, 2021 all known liabilities for claims paid by the Agency are recorded as accounts payable.

**NOTE 11 - CAPITAL PROJECTS FUNDS**

The Capital Projects Funds records capital project activities funded with Sinking Fund millage. For this fund, the School District has complied with the applicable provisions of Section 1212(1) of the Revised School Code and the State of Michigan Department of Treasury Letter No. 01-95.

**NOTE 12 - TAX ABATEMENTS**

The District is required to disclose significant tax abates as require by GASB statement 77 (Tax abatements).

The District received reduced property tax revenues as a result of Industrial Facilities Tax exemptions, Brownfield Redevelopment Agreements, and Payments in Lieu of Taxes (PILOT) granted by cities, villages, and townships. Industrial facility exemptions are intended to promote construction of new industrial facilities, or to rehabilitate historical facilities; Brownfield Redevelopment Agreements are intended to reimburse taxpayers that remediate environmental contamination on their properties; PILOT programs apply to multiple unit housing for citizens of low income and the elderly.

The property taxes abated for all funds by municipalities under these programs were \$0.

The taxes abated for the General Fund operating millage is considered by the State of Michigan when determining the District's section 22 funding of the State School Aid Act.

PELLSTON PUBLIC SCHOOLS  
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JUNE 30, 2021

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**NOTE 13 - GRANTS**

The District receives significant financial assistance from federal and state governmental agencies in the form of grants. The disbursement of funds received under these programs generally require compliance with terms and conditions specified in the grant agreements and are subject to audit by the District's independent auditors and other governmental auditors. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable fund. Based on prior experience, the District administration believes such disallowance, if any would be immaterial.

**NOTE 14 - SUBSEQUENT EVENTS**

The District has evaluated subsequent events through October 1, 2021, the date on which the financial statements were available to be issued.

The COVID-19 outbreak in the United States has caused business disruption through mandated and voluntary closings of schools. While the disruption is currently expected to be temporary, there is considerable uncertainty around the duration of the closings. Therefore, the District expects this matter to negatively impact its operating results. However, the related financial impact and duration cannot be reasonably estimated at this time.

**NOTE 15 - PRIOR PERIOD ADJUSTMENT**

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

	<b>Fund balances</b>		
	General fund	School store fund	Total Governmental funds
Fund balances as of July 1, 2020, as previously stated	\$ 1,535,569	\$ -	\$ 1,796,434
Write off of old intergovernmental receivables	34,939	-	34,939
School store fund	(10,336)	10,336	-
Fund balance as of July 1, 2020, as restated	\$ 1,560,172	\$ 10,336	\$ 1,831,373
	<b>Net Position</b>		
	Governmental activities		
Fund balances as of July 1, 2020, as previously stated	\$ (8,106,263)		
Write off of old intergovernmental receivables	34,939		
Fund balance as of July 1, 2020, as restated	\$ (8,071,324)		

PELLSTON PUBLIC SCHOOLS  
PELLSTON, MICHIGAN  
REQUIRED SUPPLEMENTARY INFORMATION  
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND  
FOR THE YEAR ENDED JUNE 30, 2021

	BUDGETED AMOUNTS		ACTUAL AMOUNTS	VARIANCE
	2021	2021	BUDGETARY	WITH FINAL
	ORIGINAL	FINAL	BASIS	BUDGET
<b>REVENUES</b>				
Local sources	\$ 3,295,595	\$ 3,341,784	\$ 3,319,504	\$ (22,280)
State sources	1,414,839	1,808,108	1,828,160	20,052
Federal sources	397,145	684,678	678,119	(6,559)
Interdistrict sources	707,054	829,604	749,539	(80,065)
Total Revenues	<u>5,814,633</u>	<u>6,664,174</u>	<u>6,575,322</u>	<u>(88,852)</u>
<b>EXPENDITURES</b>				
Current:				
Instruction:				
Basic programs	2,846,601	2,985,860	2,948,704	37,156
Added needs	893,191	873,523	870,637	2,886
Career and technical education	-	-	-	-
Support services:				
Pupil support services	172,633	201,466	199,421	2,045
Improvement of instruction	24,469	53,310	48,181	5,129
Board of education	27,235	23,628	23,613	15
School administration	472,603	479,706	479,422	284
Business services	134,979	138,143	137,959	184
Operation & maintenance	541,353	694,393	692,453	1,940
Pupil transportation	403,980	432,032	415,001	17,031
Other central services	140,800	219,987	202,778	17,209
Athletics	173,731	167,206	164,673	2,533
Community activities	21,000	12,913	1,913	11,000
Capital outlay	-	-	-	-
Debt Service	94,544	189,628	143,512	46,116
Total Expenditures	<u>5,947,119</u>	<u>6,471,795</u>	<u>6,328,267</u>	<u>143,528</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Incoming transfers and other transactions	-	-	-	-
Outgoing transfers and other transactions	-	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess of Revenues over (under) Expenditures and Other FINANCING SOURCES (USES)	(132,486)	192,379	247,055	54,676
Budgetary fund balance - July 1, 2020, as restated	<u>1,560,172</u>	<u>1,560,172</u>	<u>1,560,172</u>	<u>-</u>
Budgetary fund balance - June 30, 2021	<u>\$ 1,427,686</u>	<u>\$ 1,752,551</u>	<u>\$ 1,807,227</u>	<u>\$ 54,676</u>

SEE NOTES TO FINANCIAL STATEMENTS.

PELLSTON PUBLIC SCHOOLS  
PELLSTON, MICHIGAN  
REQUIRED SUPPLEMENTARY INFORMATION  
BUDGETARY COMPARISON SCHEDULE - FOOD SERVICE FUND  
FOR THE YEAR ENDED JUNE 30, 2021

	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL AMOUNTS</u>	<u>VARIANCE</u>
	<u>2021</u>	<u>2021</u>	<u>BUDGETARY</u>	<u>WITH FINAL</u>
	<u>ORIGINAL</u>	<u>FINAL</u>	<u>BASIS</u>	<u>BUDGET</u>
<b>REVENUES</b>				
Local sources	\$ 56,269	26,058	\$ 26,057	\$ (1)
State sources	10,619	34,941	37,559	2,618
Federal sources	535,376	672,394	672,395	1
Total Revenues and Other Financing Sources	<u>602,264</u>	<u>733,393</u>	<u>736,011</u>	<u>2,618</u>
<b>EXPENDITURES</b>				
Food Services	589,399	694,273	694,256	17
Total Expenditures	<u>589,399</u>	<u>694,273</u>	<u>694,256</u>	<u>17</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Other Financing Sources (Uses)	-	-	-	-
Total Expenditures and Other Financing Uses	<u>589,399</u>	<u>694,273</u>	<u>694,256</u>	<u>17</u>
Excess of Revenues and Other Sources Over (under) Expenditures and Other Uses	12,865	39,120	41,755	2,635
Budgetary Fund Balance - July 1, 2020, as restated	<u>106,331</u>	<u>106,331</u>	<u>106,331</u>	<u>-</u>
Budgetary Fund Balance - June 30, 2021	<u><u>\$ 119,196</u></u>	<u><u>\$ 145,451</u></u>	<u><u>\$ 148,086</u></u>	<u><u>\$ 2,635</u></u>

SEE NOTES TO FINANCIAL STATEMENTS.

**PELLSTON PUBLIC SCHOOLS**  
**PELLSTON, MICHIGAN**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF THE REPORTING UNIT'S PROPORTIONATE SHARE OF THE**  
**NET PENSION LIABILITY**  
**MICHIGAN PUBLIC SCHOOL EMPLOYEES RETIREMENT PLAN**  
**LAST 10 FISCAL YEARS (AMOUNTS WERE DETERMINED AS OF 9/30 OF EACH FISCAL YEAR)**

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Reporting unit's proportion of net pension liability	0.02960%	0.02842%	0.02838%	0.02966%	0.03098%	0.03126%	0.03468%
Reporting unit's proportionate share of net pension liability	\$ 10,166,854	\$ 9,412,500	\$ 8,532,647	\$ 7,686,193	\$ 7,729,985	\$ 7,635,840	\$ 7,638,166
Reporting unit's covered-employee payroll	\$ 2,697,204	\$ 2,564,675	\$ 2,349,772	\$ 2,432,413	\$ 2,624,060	\$ 2,611,091	\$ 2,946,069
Reporting unit's proportionate share of net pension liability as a percentage of its covered-employee payroll	376.94%	367.01%	363.13%	315.99%	294.58%	292.44%	259.27%
Plan fiduciary net position as a percentage of total pension liability	59.49%	60.31%	62.36%	64.21%	63.27%	63.17%	66.15%

The amounts presented for each fiscal year were determined as of September 30 of the preceding year.

With the implementation of GASB 68 in 2015, the 10 year history will be provided prospectively until a full 10 year history is shown.

PELLSTON PUBLIC SCHOOLS  
PELLSTON, MICHIGAN

REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF THE REPORTING UNIT'S CONTRIBUTIONS  
MICHIGAN PUBLIC SCHOOL EMPLOYEES RETIREMENT PLAN

LAST 10 REPORTING UNIT FISCAL YEARS (AMOUNTS DETERMINED OF AS 6/30 OF EACH YEAR)

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Statutory required contributions	\$ 663,506	\$ 755,049	\$ 753,146	\$ 718,021	\$ 725,822	\$ 706,340	\$ 602,078
Contributions in relation to statutorily required contributions*	(663,506)	(755,049)	(753,146)	(718,021)	(725,822)	(706,340)	(602,078)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Reporting unit's covered-employee payroll	\$ 2,777,414	\$ 2,668,366	\$ 2,494,887	\$ 2,358,653	\$ 2,487,953	\$ 2,511,205	\$ 2,659,133
Contribution as a percentage of covered-employee payroll	23.89%	28.30%	30.19%	30.44%	29.17%	28.13%	22.64%

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

With the implementation of GASB 68 in 2015, the 10 year history will be provided prospectively until a full 10 year history is shown.

**PELLSTON PUBLIC SCHOOLS**  
**PELLSTON, MICHIGAN**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF THE REPORTING UNIT'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY**  
**MICHIGAN PUBLIC SCHOOL EMPLOYEES RETIREMENT PLAN**  
**LAST 10 REPORTING UNIT FISCAL YEARS (AMOUNTS DETERMINED OF AS 9/30 OF EACH YEAR)**

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	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Reporting unit's proportion of net OPEB liability	0.03029%	0.02926%	0.27721%	0.02973%
Reporting unit's proportionate share of net OPEB liability	\$ 1,622,665	\$ 2,100,051	\$ 2,203,513	\$ 2,632,943
Reporting unit's covered-employee payroll (OPEB)*	\$ 2,697,204	\$ 2,564,675	\$ 2,349,772	\$ 2,432,413
Reporting unit's proportionate share of net OPEB liability as a percentage of its covered-employee payroll	60.16%	81.88%	93.78%	108.24%
Plan fiduciary net position as a percentage of total OPEB liability	59.42%**	48.46%**	42.95%**	36.39%**

\*The employer's covered payroll is defined by GASB 82, Pension Issues—an amendment to GASB Statements No. 67, No. 68, and No. 73, as payroll on which contributions to a pension plan are based; and by GASB 85, Omnibus 2017, as payroll on which contributions to the OPEB plan are based. For non-university employers, covered payroll for both pension and OPEB represents payroll on which contributions to both plans are based.

\*\*For non-university employers (K12 districts, ISDs, charter schools/PSAs, libraries, and community colleges).

This schedule is to be built prospectively. Until a full 10-year trend is compiled, the schedule will show information for those years for which data is available.

**PELLSTON PUBLIC SCHOOLS**  
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**REQUIRED SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF THE REPORTING UNIT'S OPEB CONTRIBUTIONS**  
**MICHIGAN PUBLIC SCHOOL EMPLOYEES RETIREMENT PLAN**  
**LAST 10 REPORTING UNIT FISCAL YEARS (AMOUNTS DETERMINED OF AS 6/30 OF EACH YEAR)**

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Statutory required contributions	\$ 74,159	\$ 200,886	\$ 190,506	\$ 168,175
Contributions in relation to statutorily required contributions*	<u>(74,159)</u>	<u>(200,886)</u>	<u>(190,506)</u>	<u>(168,175)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Reporting unit's covered-employee payroll (OPEB)**	\$ 2,777,414	\$ 2,668,366	\$ 2,494,887	\$ 2,358,653
Contribution as a percentage of covered-employee payroll	2.67%	7.53%	7.64%	7.13%

\*Contributions in relation to statutorily required OPEB contributions are the contributions an employer actually made to the OPEB Plan, as distinct from the statutorily required contributions.

\*\*The employer's covered payroll is defined by GASB 82, Pension Issues—an amendment to GASB Statements No. 67, No. 68, and No. 73, as payroll on which contributions to a pension plan are based; and by GASB 85, Omnibus 2017, as payroll on which contributions to the OPEB plan are based. For non-university employers, covered payroll for both pension and OPEB represents payroll on which contributions to both plans are based.

This schedule is to be built prospectively. Until a full 10-year trend is compiled, the schedule will show information for those years for which data is available.

PELLSTON PUBLIC SCHOOLS  
PELLSTON, MICHIGAN  
REQUIRED SUPPLEMENTARY INFORMATION  
NOTES TO REQUIRED SUPPLEMENTAL INFORMATION - PENSION & OPEB  
FOR THE YEAR ENDED JUNE 30, 2021

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**Pension Information**

Benefit changes - there were no changes of benefit terms in FY 2020.

Changes of assumptions - there were no changes of benefit assumption changes in FY 2020

**OPEB Information**

Benefit changes - there were no changes of benefit terms in FY 2020.

Changes of assumptions - there were no changes of benefit assumption changes in FY 2020

PELLSTON PUBLIC SCHOOLS  
 PELLSTON, MICHIGAN  
 OTHER SUPPLEMENTARY INFORMATION  
 COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS  
 JUNE 30, 2021

	SPECIAL REVENUE		DEBT SERVICE	CAPITAL PROJECTS	NONMAJOR GOVERNMENTAL FUNDS
	STUDENT ACTIVITIES	STUDENT STORE	2012 SCHOOL TECHNOLOGY AND EQUIPMENT	SINKING FUND	TOTAL
<b>ASSETS</b>					
Cash and investments	\$ 97,443	\$ 4,947	\$ -	\$ 36,445	\$ 138,835
Accounts receivable	-	-	-	-	-
Due from other governmental units	-	-	-	-	-
Due from other funds	-	43	-	-	43
Inventory	-	4,324	-	-	4,324
<b>Total Assets</b>	<b>\$ 97,443</b>	<b>\$ 9,314</b>	<b>\$ -</b>	<b>\$ 36,445</b>	<b>\$ 143,202</b>
<b>LIABILITIES AND FUND BALANCES</b>					
<b>Liabilities:</b>					
Accounts payable	\$ -	\$ -	\$ -	\$ -	-
Accrued salaries	-	-	-	-	-
Due to other funds	438	-	-	-	438
Unearned revenue	-	-	-	-	-
<b>Total Liabilities</b>	<b>438</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>438</b>
<b>Fund Balances:</b>					
Restricted for debt service	-	9,314	-	-	9,314
Restricted for capital projects	-	-	-	36,445	36,445
Committed for student activities	97,005	-	-	-	97,005
<b>Total Fund Balance</b>	<b>97,005</b>	<b>9,314</b>	<b>-</b>	<b>36,445</b>	<b>142,764</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 97,443</b>	<b>\$ 9,314</b>	<b>\$ -</b>	<b>\$ 36,445</b>	<b>\$ 143,202</b>

SEE NOTES TO FINANCIAL STATEMENTS.

PELLSTON PUBLIC SCHOOLS  
 PELLSTON, MICHIGAN  
 OTHER SUPPLEMENTARY INFORMATION  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
 NONMAJOR GOVERNMENTAL FUNDS  
 FOR THE YEAR ENDED JUNE 30, 2021

	SPECIAL REVENUE		DEBT SERVICE	CAPITAL PROJECTS	NONMAJOR GOVERNMENTAL FUNDS
	STUDENT ACTIVITIES	STUDENT STORE	2012 SCHOOL TECHNOLOGY AND EQUIPMENT	SINKING FUND	TOTAL
<b>REVENUES</b>					
Local sources	\$ -	\$ -	\$ 18	\$ 676,714	\$ 676,732
Student activities income	76,763	11,395	-	-	88,158
Other income	-	-	-	-	-
<b>Total Revenues</b>	<b>76,763</b>	<b>11,395</b>	<b>18</b>	<b>676,714</b>	<b>764,890</b>
<b>EXPENDITURES:</b>					
Current operations:					
Other central services	-	-	-	640,269	640,269
Student/school activities	72,756	12,417	-	-	85,173
Debt service	-	-	-	-	-
Intergovernmental	-	-	-	-	-
Capital outlay	-	-	-	-	-
<b>Total Expenditures</b>	<b>72,756</b>	<b>12,417</b>	<b>-</b>	<b>640,269</b>	<b>725,442</b>
Excess (Deficiency) of Revenues over Expenditures	4,007	(1,022)	18	36,445	39,448
Other Financing Uses					
Transfers in	-	-	-	-	-
Transfers out	-	-	(19,697)	-	(19,697)
Excess (Deficiency) of Revenues over Expenditures and Other Financing (Uses)	4,007	(1,022)	(19,679)	36,445	19,751
Fund Balance - Beginning of Year, as restated	92,998	10,336	19,679	-	123,013
Fund Balance - End of Year	\$ 97,005	\$ 9,314	\$ -	\$ 36,445	\$ 142,764

SEE NOTES TO FINANCIAL STATEMENTS.



**PELLSTON PUBLIC SCHOOLS**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
For the Year Ending June 30, 2021

Federal Grantor/ Pass-Through Grantor/ Program Title/Grant Number	Federal Program Title/Grant Number	CFDA Number	Grant #	Approved Award/Grant Amount	Accrued (Unearned) Revenue July 1, 2020	(memo only) Prior Year Expenditures	Current Year Expenditures	Current Year Cash Receipts	Accrued (Unearned) Revenue June 30, 2021
<b>U.S. DEPARTMENT OF AGRICULTURE</b>									
<b>Passed Thru Michigan Department of Education</b>									
	Non-cash assistance (donated foods)								
	Entitlement Commodities	10.565		28,046	-	-	28,046	28,046	-
	Cash Assistance								
	Summer Food Program	10.553	200904	103,383	-	-	103,383	103,383	-
	Extended SFSP Program	10.553	210904	513,766	-	-	513,766	474,571	39,195
	Total CFDA #10.553			617,149	-	-	617,149	577,954	39,195
	COVID 19 USC	10.555	200902	39,687	39,687	39,687	-	39,687	-
	SNL Equipment Grant	10.579	191991	27,200	-	-	27,200	27,200	-
	Total Cash Assistance			684,036	39,687	39,687	644,349	644,841	39,195
	<b>Total U.S. Department of Agriculture</b>			712,082	39,687	39,687	672,395	672,887	39,195
<b>U.S. DEPARTMENT OF EDUCATION</b>									
<b>Passed Thru Michigan Department of Education</b>									
	Title I Part A - 2021	84.010	211530	172,782	-	-	148,598	148,598	-
	Title I Part A - 2020	84.010	201530	187,892	3,911	178,592	-	3,911	-
	Total CFDA #84.010			360,674	3,911	178,592	148,598	152,510	-
	Title II Part A - 2021	84.367	210520	38,106	-	-	29,850	29,850	-
	Title II Part A - 2020	84.367	200520	40,593	6,295	34,299	3,141	6,294	(3,153)
	Total CFDA #84.367			78,699	6,295	34,299	32,991	36,144	(3,153)
	ESSER I Formula	84.425D	203710	134,958	-	-	134,958	134,958	-
	GEER Grant	84.425C	201200	40,277	-	-	40,191	40,191	-
	ESSER II Funds	84.425D	213712	548,781	-	-	95,421	-	95,421
	Total CFDA #84.425			724,016	-	-	270,570	175,149	95,421
	Total Passed Thru the Michigan Department of Education			1,163,389	10,206	212,891	452,159	363,803	92,268
<b>Direct Federal Grants</b>									
	Indian Education Grant	84.060	S060A202479	12,973	-	-	12,973	12,973	-
	Rural Education Achievement	84.358A	S358A201940	18,395	-	-	18,395	18,395	-
	Total Direct Federal Grants			31,368	-	-	31,368	31,368	-
	<b>Total U.S. Department of Education</b>			1,194,757	10,206	212,891	483,527	395,171	92,268
<b>U.S. DEPARTMENT OF TREASURY</b>									
<b>Passed Thru Michigan Department of Education</b>									
	COVID-19 Coronavirus Relief Funds	21.019	103(2)	6,069	-	-	6,069	6,069	-
	COVID-19 Coronavirus Relief Funds	21.019	11(p)	172,396	-	-	172,396	172,396	-
	Total CFDA #21.019			178,465	-	-	178,465	178,465	-
	<b>Total U.S. Department of Treasury</b>			178,465	-	-	178,465	178,465	-
<b>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>									
<b>Passed Thru Charlevoix-Emmet ISD</b>									
	Medicaid Administrative Outreach	93.778		1,490	-	-	1,490	1,490	-
	Total Medicaid			1,490	-	-	1,490	1,490	-
	<b>TOTAL FEDERAL AWARDS EXPENDED</b>			<b>2,086,794</b>	<b>49,894</b>	<b>252,579</b>	<b>1,335,877</b>	<b>1,248,013</b>	<b>131,463</b>

PELLSTON PUBLIC SCHOOLS  
 PELLSTON, MICHIGAN  
 NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
 JUNE 30, 2021

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**NOTE 1 - BASIS OF PRESENTATION**

The accompanying schedule of expenditures of federal awards ("the Schedule") includes the federal award activity of the Pellston Public Schools under programs of the federal government for the year ended June 30, 2021. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principals, and Audit Requirements for Federal Awards (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Pellston Public Schools it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Pellston Public Schools.

The District does not qualify for low-risk auditee status. Management has utilized the Cash Management System and Grant Auditor Report in preparing the Schedule of Expenditures of Federal Awards.

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principals contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. Pass-through entity identifying numbers are presented where available. The Pellston Public Schools has elected not to use the 10 percent de minimus indirect cost rate allowed under the Uniform Guidance.

**NOTE 3 - RELATIONSHIP TO GOVERNMENTAL FUND FINANCIAL STATEMENTS**

Revenues from federal sources are reported in the School District's financial statements as follows:

	FEDERAL REVENUES
General Fund	\$ 678,118
Special Revenue Fund:	
Food Service Fund	672,395
Total Federal Revenues	1,350,513
Federal Sources received not subject to the Uniform Guidance	
QZAB Federal Credits	(14,636)
Total expenditures per the Schedule of Expenditure of Federal Awards (SEFA)	\$ 1,335,877

PELLSTON PUBLIC SCHOOLS  
 PELLSTON, MICHIGAN  
 NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
 JUNE 30, 2021

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**NOTE 5 - MICHIGAN DEPARTMENT OF EDUCATION DISCLOSURES**

The amounts reported on the recipient entitlement balance report agree with the schedule of expenditure of the federal awards for U.S.D.A. donated food commodities.

**NOTE 6 - RECONCILIATION TO MICHIGAN DEPARTMENT OF EDUCATION'S CASH MANAGEMENT SYSTEM  
 (CMS) GRANT SECTION AUDITORS REPORT**

The following shows a reconciliation of current year receipts per the schedule of expenditures of federal awards to current payments per Michigan Department of Education Cash Management System (CMS) Grant Auditor Report:

School Districts total current payments per Michigan Department of Education Grant Auditor Report - (GAR) CMS System	\$	<u>1,008,644</u>
Current year receipt passed through Michigan Department of Education:		
U.S. Department of Agriculture Cash Assistance	\$	644,841
U.S. Department of Education		<u>363,803</u>
Tie out to Grant Auditor Report		<u>1,008,644</u>
Add:		
U.S. Department of Treasury		178,465
Medicaid Outreach		1,490
Rural Education Achievement		18,395
American Indian Education Grant		12,973
Entitlement Commodities		<u>28,046</u>
Total current year receipts (cash basis) per the Schedule of Expenditures of Federal Awards (SEFA)	\$	<u>1,248,013</u>

# Schulze Oswald Miller & Edwards PC

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

### To the Board of Education Pellston Public Schools

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of *Pellston Public Schools* as of and for the year ended June 30, 2021 and the related notes to the financial statements, which collectively comprise *Pellston Public School's* basic financial statements, and have issued our report thereon dated October 1, 2021.

### Internal Control over Financial Reporting

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

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

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

### Compliance and Other Matters

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

### Purpose of this Report

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

*Schulze, Oswald, Miller & Edwards PC*

Schulze, Oswald, Miller & Edwards PC  
Alpena, Michigan  
October 1, 2021

PELLSTON AREA SCHOOLS  
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
 FOR THE YEAR ENDED JUNE 30, 2021

Section I – Summary of Auditor’s Results

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**Financial Statements**

Type of auditor’s report issued: *Unmodified*

Internal control over financial reporting:

- Material weakness(es) identified?  Yes  No
- Significant deficiency(ies) identified that are not considered to be material weakness(es)?  Yes  None reported

Noncompliance material to financial statements noted?  Yes  No

**Federal Awards**

Internal control over major programs:

- Material weakness(es) identified:  Yes  No
- Significant deficiency(ies) identified that are not considered to be material weakness(es)?  Yes  None reported

Type of auditor’s report issued on compliance for major Programs: *Unmodified*

Any audit findings that are required to be reported in Accordance with Title 2 CFR Section 200.516(a)?  Yes  No

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
10.555	Child Nutrition Cluster
10.553	
10.559	
21.019	COVID – 19 Coronavirus Relief Fund

Dollar threshold used to distinguish between type A and type B programs: \$ 750,000

Auditee qualified as low-risk auditee?  Yes  No

Section II – Financial Statement Findings

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None

Section III – Federal Award Findings and Question Costs

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None

**PELLSTON AREA SCHOOLS  
SCHEDULE OF PRIOR YEAR AUDIT FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2021**

**There were no audit findings required to be reported on this schedule for the previous year.**

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To the Board of Education  
Pellston Public Schools

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Pellston Public Schools for the year ended June 30, 2021. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated July 6, 2021. Professional standards also require that we communicate to you the following information related to our audit.

## Significant Audit Findings

### **1. Qualitative Aspects of Accounting Practices**

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by Pellston Public Schools are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the audit year. We noted no transactions entered into by the District during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

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

Estimates have been used to calculate the net pension liability and the net other postemployment benefit liability.

We evaluated the key factors and assumptions used to develop the balance of the net pension liability and net other postemployment benefit liability in determining that they are reasonable in relation to the financial statements taken as a whole.

Management's estimate in calculating the liability for employee compensated absences:

We evaluated the key factors and assumptions used to develop the balance of employee compensated absences in determining that it is reasonable in relation to the financial statements taken as a whole.

Management's determination of the estimated life span of the capital assets:

We evaluated the key factors and assumptions used by management to develop the estimated life span of the capital assets in determining that it is reasonable in relation to the financial statements taken as a whole. In

addition, certain amounts included in capital assets have been estimated based on an outside appraisal company.

The disclosures in the financial statements are neutral, consistent, and clear. Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users.

We did not identify any sensitive disclosures.

**2. *Difficulties Encountered in Performing the Audit***

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

**3. *Corrected and Uncorrected Misstatements***

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

**4. *Disagreements with Management***

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

**5. *Management Representations***

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

**6. *Management Consultations with Other Independent Accountants***

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

**7. *Other Audit Findings or Issues***

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

**8. *Other Matters***

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

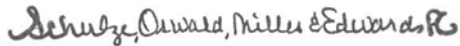
We were engaged to report on the other supplementary information, which accompany the financial statements but are not RSI. With respect to this other supplementary information, we made certain inquiries of management and evaluated

the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the other supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

Governmental Accounting Standards Board (GASB) Statement No. 87, Leases, was issued by the GASB in June 2017 and will be effective for the District's 2022 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.

This information is intended solely for the use of the Board of Education and management of *Pellston Public Schools* and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,



Schulze, Oswald, Miller, & Edwards PC  
Alpena, Michigan  
October 1, 2021