

CHARLEVOIX PUBLIC SCHOOLS

CHARLEVOIX, MICHIGAN

JUNE 30, 2019



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

CERTIFIED PUBLIC ACCOUNTANTS
134 WEST HARRIS STREET CADILLAC, MICHIGAN 49601 PHONE: (231) 775-9789 FAX: (231) 775-9749
www.bcbcpa.com

CHARLEVOIX PUBLIC SCHOOLS
CHARLEVOIX, MICHIGAN

ANNUAL FINANCIAL REPORT
YEAR ENDED JUNE 30, 2019

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August 27, 2019

INDEPENDENT AUDITOR'S REPORT

To the Board of Education
Charlevoix Public Schools
Charlevoix, Michigan

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Charlevoix Public Schools, Charlevoix, Michigan as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Charlevoix Public Schools, Charlevoix, Michigan as of June 30, 2019, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison schedule, schedule of proportionate share of the net pension liability, schedule of pension contributions, schedule of proportionate share of the net other postemployment benefit liability, schedule of other postemployment benefit contributions, and notes to required supplementary information on pages iii through x and 40 through 45 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 the Charlevoix Public Schools, Michigan's basic financial statements. The Other Information section on pages 47 through 51 is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The Other Information section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated August 27, 2019, on our consideration of Charlevoix Public Schools, Michigan'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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Charlevoix Public Schools, Michigan's 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 Charlevoix Public Schools, Michigan's internal control over financial reporting and compliance.

BAIRD, COTTER AND BISHOP, P.C.

Baird, Cotter & Bishop, P.C.

CHARLEVOIX PUBLIC SCHOOLS
CHARLEVOIX, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED JUNE 30, 2019

This section of Charlevoix Public Schools' ("the District") annual report presents our discussion and analysis of the District's financial performance during the year ended June 30, 2019. Please read it in conjunction with the District's financial statements, which immediately follow this section.

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

Financial Highlights Section

Government-Wide

- The liabilities and deferred inflows of resources of the District exceeded its assets and deferred outflows of resources at the close of the most recent fiscal year by \$3,024,405, creating a deficit net position amount. Of this amount net capital assets net of related debt was \$15,663,324
- The government's total net position decreased by \$68,233.

Fund Level

- As of the close of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$9,252,584, a decrease of \$7,031,917 in comparison with the prior year.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$1,861,243.

Overview of the Financial Statements

A. Government-Wide Financial Statements

The *Government-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. These statements are required by generally accepted accounting principles (GAAP) as described in the Government Accounting Standards Board (GASB) Statement No. 34. The district-wide financial statements are compiled using full accrual basis of accounting and more closely represent financial statements presented by business and industry.

The *Statement of Net Position* presents information on all of the District's assets, deferred outflows of resources and liabilities, with the difference 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 the 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 for some items that will only result in cash flows in future periods.

CHARLEVOIX PUBLIC SCHOOLS
CHARLEVOIX, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED JUNE 30, 2019

Both of the government-wide statements distinguish functions of the District that are principally supported by state aid and property taxes (governmental activities) from other functions that are intended to recover all or most of their costs through user fees and charges (business-type activities). The governmental activities of the District include instruction, supporting services, food service activities, community services, interest and other transactions.

B. Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds, rather than the District as a whole.

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

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

The District maintains the following kinds of funds:

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

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

The District maintains one type of fiduciary fund. The Agency Fund reports resources held by the District in a custodial capacity for individuals, private organizations and other governments.

Notes to Financial Statements

The Notes to Financial Statements provide additional information that is essential to a complete understanding of the information provided in both the government-wide and the fund financial statements. The notes to the financial statements can be found on pages 11-39 of this report.

CHARLEVOIX PUBLIC SCHOOLS
CHARLEVOIX, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED JUNE 30, 2019

Other Information

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

C. Summary of Net Position

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

	<u>2019</u>	<u>2018</u>
Assets		
Current Assets	\$ 12,626,785	\$ 18,484,225
Non Current Assets		
Capital Assets	46,005,258	38,636,351
Less Accumulated Depreciation	<u>(15,990,584)</u>	<u>(15,105,861)</u>
Total Non Current Assets	<u>30,014,674</u>	<u>23,530,490</u>
Total Assets	<u>42,641,459</u>	<u>42,014,715</u>
Deferred Outflows of Resources	<u>7,369,786</u>	<u>4,696,769</u>
Liabilities		
Current Liabilities	5,518,545	4,377,453
Non Current Liabilities	<u>43,659,625</u>	<u>43,499,059</u>
Total Liabilities	<u>49,178,170</u>	<u>47,876,512</u>
Deferred Inflows of Resources	<u>3,857,480</u>	<u>1,791,144</u>
Net Position		
Net Investment in Capital Assets	15,663,324	15,806,514
Restricted for Specific Purposes	553,217	374,752
Unrestricted (Deficit)	<u>(19,240,946)</u>	<u>(19,137,438)</u>
Total Net Position	<u>\$ (3,024,405)</u>	<u>\$ (2,956,172)</u>

CHARLEVOIX PUBLIC SCHOOLS
CHARLEVOIX, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED JUNE 30, 2019

D. Analysis of Financial Position

During the fiscal year ended June 30, 2019, the District's net position decreased by \$68,233. A few of the more significant factors affecting net position during the year are discussed below:

1. Depreciation Expense

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

Depreciation expense is recorded on a straight-line basis over the estimated useful lives of the assets. In accordance with GAAP, depreciation expense is calculated based on the original cost of the asset less an estimated salvage value, where applicable. For the fiscal year ended June 30, 2019, \$950,228 was recorded for depreciation expense.

2. Capital Outlay Acquisitions

For the fiscal year ended June 30, 2019, \$7,434,412 of expenditures were capitalized and recorded as assets of the District. These additions to the District's capital assets will be depreciated over time as explained above.

The net effect of the new capital assets and the current year's depreciation is an increase to capital assets in the amount of \$6,484,184 for the fiscal year ended June 30, 2019. An increase to capital assets is an increase in net position.

The District has committed to building a new elementary school beginning in the 2018-2019 fiscal year. The total cost of the project is estimated at \$14,335,000. Wolgast Corporation is the project manager, with \$5,478,537 committed to be spent in the 2019-2020 fiscal year. The District has also committed to purchasing a truck in the amount of \$32,027 and a bus in the amount of \$113,248.

3. Pension and Other Postemployment Benefits Expense

GASB 68 and 75 now require the District to account for its payments to the Michigan Public School Employees' Retirement System in a manner that has a significant effect on the District's change in net position. Based on various factors, the District may report an increase or decrease in net position depending on whether the District's proportionate share of the net pension and OPEB liabilities increases or decreases in any given year. For the year ended June 30, 2019, the District reported a decrease related to GASB 68 and 75, which indicates that the District's proportionate share of the net pension and other postemployment benefits liability has increased by that amount.

CHARLEVOIX PUBLIC SCHOOLS
CHARLEVOIX, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED JUNE 30, 2019

E. Change in Net Position

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

	<u>2019</u>	<u>2018</u>
General Revenues		
Property Taxes	\$ 10,185,223	\$ 10,374,410
Investment Earnings	352,816	116,594
State Sources	61,692	174,445
Regional Enhancement Millage	590,404	0
Gain on Sale of Assets	11,777	0
Other	<u>99,779</u>	<u>165,791</u>
 Total General Revenues	 <u>11,301,691</u>	 <u>10,831,240</u>
 Program Revenues		
Charges for Services	342,930	436,037
Operating Grants	<u>2,684,198</u>	<u>2,866,435</u>
 Total Program Revenues	 <u>3,027,128</u>	 <u>3,302,472</u>
 Total Revenues	 <u>14,328,819</u>	 <u>14,133,712</u>
 Expenses		
Instruction	7,471,012	7,755,991
Supporting Services	4,073,318	3,748,112
Food Service Activities	361,041	456,200
Community Services	887	1,015
Community Activities	5,176	4,430
Custody and Care of Children	50,340	83,754
Facilities Acquisition, Construction and Improvements	661,024	78,700
Non-Public School Pupils	104,718	62,419
Interest on Long-Term Debt	705,525	324,907
Bond Issuance Costs	13,783	267,368
Unallocated Depreciation	<u>950,228</u>	<u>955,903</u>
 Total Expenses	 <u>14,397,052</u>	 <u>13,738,799</u>
 Change in Net Position	 <u>\$ (68,233)</u>	 <u>\$ 394,913</u>

CHARLEVOIX PUBLIC SCHOOLS
CHARLEVOIX, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED JUNE 30, 2019

F. Financial Analysis of the District's Funds

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

	<u>2019</u>	<u>2018</u>	<u>(Decrease)</u>
Major Funds			
General Fund	\$ 1,864,706	\$ 1,242,715	\$ 621,991
Food Service Fund	110,675	120,224	(9,549)
2011 Debt Service Fund	221,518	231,570	(10,052)
2012 Debt Service Fund	24,442	165,132	(140,690)
2015 Debt Service Fund	170,668	110,779	59,889
2018 Debt Service Fund	245,933	0	245,933
2015 Capital Projects Fund	80,826	158,241	(77,415)
2018 Capital Projects Fund	5,683,089	14,255,840	(8,572,751)
2019 Capital Projects Fund	850,727	0	850,727
Total Governmental Funds	<u>\$ 9,252,584</u>	<u>\$ 16,284,501</u>	<u>\$ (7,031,917)</u>

In fiscal year 2019, the General Fund's fund balance increased primarily due to an enhancement millage passed through from the ISD. \$3,463 of the fund balance is nonspendable due to prepaid expenditures and the remaining \$1,861,243 is unassigned.

The Food Service fund balance decreased because of lower food sales and high labor costs. \$2,156 of the fund balance is nonspendable due to inventory, while the remaining balance of \$108,519 is restricted for food service.

The 2011 Debt Service Fund decreased its fund balance due to debt payments exceeding taxes levied. The entire fund balance is restricted for debt service.

The 2012 Debt Service Fund debt payments outweighed the taxes levied, leading to the decrease in fund balance. The entire fund balance is restricted for debt service.

The 2015 Debt Service Fund increased its fund balance because the taxes levied exceeded debt service payments for the year. The entire fund balance is restricted for debt service.

The 2018 Debt Service Fund is a new fund this year and the fund balance is due to the good-faith deposit from the 2018 Capital Projects fund. The entire fund balance is restricted for debt service.

The 2015 Capital Projects Fund decreased its fund balance due to construction progress across the district. The entire fund balance is restricted for capital projects.

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CHARLEVOIX, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED JUNE 30, 2019

The 2018 Capital Projects Fund decreased its fund balance due to the construction of the new Elementary building. The entire fund balance is restricted for capital projects.

The 2019 Capital Projects Fund is a new fund this year and the fund balance is due to the face value of debt and minimal expenditures related to this project prior to year-end. The entire fund balance is restricted for capital projects.

G. General Fund Budgetary Highlights

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

For the 2018-2019 fiscal year, the District amended the general fund budget throughout the year, with the Board adopting the final changes in June 2019. The following schedule shows a comparison of the original general fund budget, the final amended general fund budget, and actual totals from operations:

The change in the total revenue original budget to final budget was an increase of \$483,889 as a result of additional property tax collections and an increase to state and federal sources.

The change in the total expenditures original budget to final budget was an increase of \$28,687. The amendments were spread amongst the District's activities.

The difference between final budgeted revenue and actual revenue was primarily due to less federal sources and other transactions.

The actual expenditures are lower than the final budget primarily due to less expenditures in basic programs and added needs.

H. Capital Asset and Debt Administration

1. Capital Assets

At June 30, 2019, the District has \$30,014,674 (net of accumulated depreciation) in a broad range of capital assets, including school buildings and facilities, school buses and other vehicles, and various types of equipment. Depreciation expense for the year amounted to \$950,228 bringing the accumulated depreciation to \$15,990,584 as of June 30, 2019.

The additions to capital assets included:

- Construction in process for a new elementary school building in the amount of \$7,391,862
- Two water heaters in the amounts of \$17,850 and \$7,087, respectively
- A walk-in cooler in the amount of \$7,207
- A band saw in the amount of \$5,264
- A CNC Shark with Spindle in the amount of \$5,142

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

CHARLEVOIX PUBLIC SCHOOLS
CHARLEVOIX, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED JUNE 30, 2019

2. Long-Term Obligations

At June 30, 2019, the District had \$20,730,000 in bonded debt outstanding. This represents a decrease of \$1,155,000 over the amount outstanding at the close of the prior fiscal year. Other long-term debt includes compensated absences of \$847,571, net pension liability of \$19,005,016, and net other postemployment benefits liability of \$4,876,046.

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

I. Factors Bearing on the District's Future

At the time that these financial statements were prepared and audited, the District was aware of the following items that could significantly affect its financial health in the future:

- The District is currently in progress of constructing a new elementary building with the voter passed 2018 bond. The District plans to move into the new building during the 2019-2020 school year. This will reduce the footprint of the District by one less building. The current elementary building was approved for sale and a purchase agreement is in place for Charlevoix County to fully purchase the building once the District can vacate the premises and move into the newly constructed elementary building.
- The District was out-of-formula for the 2018-2019 school year, and this is planned to continue in the 2019-2020 school year. This means that the District does not receive the standard state per pupil foundation allowance, but receives most funding directly from non-homestead taxpayers through annual tax levies. This creates a direct correlation between changes in taxable values and the District's financial condition.

J. Contacting the District's Financial Management

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report, or need additional financial information, please contact the Director of Finance and Administrative Service, Charlevoix Public Schools, 104 East St. Mary's Drive, Charlevoix, Michigan 49720.

CHARLEVOIX PUBLIC SCHOOLS
CHARLEVOIX, MICHIGAN

STATEMENT OF NET POSITION

JUNE 30, 2019

ASSETS

CURRENT ASSETS

Cash	\$ 2,322,555
Restricted Cash	81,326
Accounts Receivable	7,763
Due from External Parties (Fiduciary Funds)	75,614
Due from Other Governments	329,215
Inventories	2,156
Prepaid Expenses	3,463
Investments	1,548,538
Restricted Investments	<u>8,256,155</u>
 Total Current Assets	 <u>12,626,785</u>

NON CURRENT ASSETS

Capital Assets	46,005,258
Less Accumulated Depreciation	<u>(15,990,584)</u>
 Total Non Current Assets	 <u>30,014,674</u>

TOTAL ASSETS

42,641,459

DEFERRED OUTFLOWS OF RESOURCES

Related to Pensions	6,494,888
Related to Other Postemployment Benefits	<u>874,898</u>
 TOTAL DEFERRED OUTFLOWS OF RESOURCES	 <u>7,369,786</u>

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

CHARLEVOIX PUBLIC SCHOOLS
CHARLEVOIX, MICHIGAN

STATEMENT OF NET POSITION

JUNE 30, 2019

LIABILITIES

CURRENT LIABILITIES

Accounts Payable	1,139,337
Retainage Payable	576,899
Due to External Parties (Fiduciary Funds)	100
Accrued Expenses	445,080
Accrued Interest Payable	109,344
Salaries Payable	728,009
Unearned Revenue	484,776
Current Portion of Non Current Liabilities	<u>2,035,000</u>
Total Current Liabilities	<u>5,518,545</u>

NON CURRENT LIABILITIES

Bonds Payable - Net	20,965,992
Compensated Absences	847,571
Net Pension Liability	19,005,016
Net Other Postemployment Benefits Liability	4,876,046
Less Current Portion of Non Current Liabilities	<u>(2,035,000)</u>
Total Non Current Liabilities	<u>43,659,625</u>

TOTAL LIABILITIES

49,178,170

DEFERRED INFLOWS OF RESOURCES

Related to Pensions	2,490,121
Related to Other Postemployment Benefits	<u>1,367,359</u>
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>3,857,480</u>

NET POSITION

Net Investment in Capital Assets	15,663,324
Restricted for Debt Service	553,217
Unrestricted (Deficit)	<u>(19,240,946)</u>
TOTAL NET POSITION	<u><u>\$ (3,024,405)</u></u>

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

CHARLEVOIX PUBLIC SCHOOLS
CHARLEVOIX, MICHIGAN

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2019

FUNCTIONS/PROGRAMS	EXPENSES	PROGRAM REVENUES CHARGES FOR OPERATING		GOVERNMENTAL ACTIVITIES NET (EXPENSE) REVENUE AND CHANGES IN NET POSITION
		SERVICES	GRANTS	
<u>GOVERNMENTAL ACTIVITIES</u>				
Instruction	\$ 7,471,012	\$ 130,878	\$ 2,292,281	\$ (5,047,853)
Supporting Services	4,073,318	83,611	129,776	(3,859,931)
Food Service Activities	361,041	128,441	242,746	10,146
Community Services	887	0	0	(887)
Community Activities	5,176	0	0	(5,176)
Custody and Care of Children	50,340	0	0	(50,340)
Facilities Acquisition, Construction and Improvements	661,024	0	0	(661,024)
Non-Public School Pupils	104,718	0	19,395	(85,323)
Interest on Long Term Debt	705,525	0	0	(705,525)
Bond Issuance Costs	13,783	0	0	(13,783)
Unallocated Depreciation	950,228	0	0	(950,228)
TOTAL GOVERNMENTAL ACTIVITIES	<u>\$ 14,397,052</u>	<u>\$ 342,930</u>	<u>\$ 2,684,198</u>	<u>\$ (11,369,924)</u>
 <u>GENERAL REVENUES</u>				
Property Taxes - General Purposes				8,080,896
Property Taxes - Debt Service				2,104,327
Investment Earnings				352,816
State Sources				61,692
Regional Enhancement Millage				590,404
Gain on Sale of Assets				11,777
Other				99,779
Total General Revenues				<u>11,301,691</u>
Change in Net Position				(68,233)
<u>NET POSITION</u> - Beginning of Year (Deficit)				<u>(2,956,172)</u>
<u>NET POSITION</u> - End of Year (Deficit)				<u>\$ (3,024,405)</u>

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

CHARLEVOIX PUBLIC SCHOOLS
CHARLEVOIX, MICHIGAN

BALANCE SHEET
GOVERNMENTAL FUNDS

JUNE 30, 2019

	<u>DEBT SERVICE FUNDS</u>						<u>CAPITAL PROJECTS FUNDS</u>			<u>TOTAL GOVERNMENTAL FUNDS</u>
	<u>GENERAL FUND</u>	<u>FOOD SERVICE FUND</u>	<u>2011 DEBT SERVICE FUND</u>	<u>2012 DEBT SERVICE FUND</u>	<u>2015 DEBT SERVICE FUND</u>	<u>2018 DEBT SERVICE FUND</u>	<u>2015 CAPITAL PROJECTS FUND</u>	<u>2018 CAPITAL PROJECTS FUND</u>	<u>2019 CAPITAL PROJECTS FUND</u>	
ASSETS										
Cash	\$ 1,893,327	\$ 117,392	\$ 178,900	\$ 21,720	\$ 111,216	\$ 0	\$ 0	\$ 0	\$ 0	\$ 2,322,555
Restricted Cash	0	0	0	0	0	0	81,326	0	0	81,326
Accounts Receivable	7,763	0	0	0	0	0	0	0	0	7,763
Due from Other Governments	323,473	5,742	0	0	0	0	0	0	0	329,215
Due from Other Funds	94,100	0	42,618	2,722	59,452	0	0	0	0	198,892
Inventories	0	2,156	0	0	0	0	0	0	0	2,156
Prepaid Expenditures	3,463	0	0	0	0	0	0	0	0	3,463
Investments	1,302,605	0	0	0	0	245,933	0	0	0	1,548,538
Restricted Investments	0	0	0	0	0	0	0	7,362,845	893,310	8,256,155
TOTAL ASSETS	\$ 3,624,731	\$ 125,290	\$ 221,518	\$ 24,442	\$ 170,668	\$ 245,933	\$ 81,326	\$ 7,362,845	\$ 893,310	\$ 12,750,063
LIABILITIES AND FUND BALANCES										
LIABILITIES										
Accounts Payable	\$ 7,016	\$ 90	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 1,102,857	\$ 29,374	\$ 1,139,337
Retainage Payable	0	0	0	0	0	0	0	576,899	0	576,899
Due to Other Funds	104,792	4,877	0	0	0	0	500	0	13,209	123,378
Accrued Expenses	441,995	3,085	0	0	0	0	0	0	0	445,080
Salaries Payable	728,009	0	0	0	0	0	0	0	0	728,009
Unearned Revenue	478,213	6,563	0	0	0	0	0	0	0	484,776
Total Liabilities	1,760,025	14,615	0	0	0	0	500	1,679,756	42,583	3,497,479
FUND BALANCES										
Nonspendable for Inventory	0	2,156	0	0	0	0	0	0	0	2,156
Nonspendable for Prepaid Expenditures	3,463	0	0	0	0	0	0	0	0	3,463
Restricted for Food Service	0	108,519	0	0	0	0	0	0	0	108,519
Restricted for Debt Service	0	0	221,518	24,442	170,668	245,933	0	0	0	662,561
Restricted for Capital Projects	0	0	0	0	0	0	80,826	5,683,089	850,727	6,614,642
Unassigned	1,861,243	0	0	0	0	0	0	0	0	1,861,243
Total Fund Balances	1,864,706	110,675	221,518	24,442	170,668	245,933	80,826	5,683,089	850,727	9,252,584
TOTAL LIABILITIES AND FUND BALANCES	\$ 3,624,731	\$ 125,290	\$ 221,518	\$ 24,442	\$ 170,668	\$ 245,933	\$ 81,326	\$ 7,362,845	\$ 893,310	\$ 12,750,063

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

CHARLEVOIX PUBLIC SCHOOLS
CHARLEVOIX, MICHIGAN

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

JUNE 30, 2019

Total Governmental Fund Balances	\$ 9,252,584
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not financial resources and are not reported in the funds.	
The cost of the capital assets is	\$ 46,005,258
Accumulated depreciation is	<u>(15,990,584)</u>
	30,014,674
Long-term liabilities are not due and payable in the current period and are not reported in the funds.	
Bonds Payable	(20,730,000)
Compensated Absences	(847,571)
Governmental funds expense the effect of premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities.	
	(235,992)
Some liabilities, including net pension obligations, are not due and payable in the current period and, therefore, are not reported in the funds.	
Net Pension Liability	(19,005,016)
Net Other Postemployment Benefits Liability	(4,876,046)
Deferred outflows (and inflows) of resources related to pensions are to future periods and, therefore, are not reported in the funds.	
Deferred Outflow of Resources - Related to Pensions	6,494,888
Deferred Inflow of Resources - Related to Pensions	(2,490,121)
Deferred Outflow of Resources - Related to Other Postemployment Benefits	874,898
Deferred Inflow of Resources - Related to Other Postemployment Benefits	(1,367,359)
Accrued interest is not included as a liability in government funds, it is recorded when paid.	<u>(109,344)</u>
NET POSITION OF GOVERNMENTAL ACTIVITIES	<u>\$ (3,024,405)</u>

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

CHARLEVOIX PUBLIC SCHOOLS
CHARLEVOIX, MICHIGAN

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

YEAR ENDED JUNE 30, 2019

	GENERAL FUND	FOOD SERVICE FUND	DEBT SERVICE FUNDS				CAPITAL PROJECTS FUNDS			TOTAL GOVERNMENTAL FUNDS
			2011 DEBT SERVICE FUND	2012 DEBT SERVICE FUND	2015 DEBT SERVICE FUND	2018 DEBT SERVICE FUND	2015 CAPITAL PROJECTS FUND	2018 CAPITAL PROJECTS FUND	2019 CAPITAL PROJECTS FUND	
REVENUES										
Local Sources	\$ 8,420,674	\$ 128,697	\$ 1,612,911	\$ 100,001	\$ 399,541	\$ 1,846	\$ 502	\$ 292,816	\$ 3,310	\$ 10,960,298
Non-Educational Sources	12,121	0	0	0	0	0	0	0	0	12,121
State Sources	1,597,984	33,058	27,151	14,481	3,620	0	0	0	0	1,676,294
Federal Sources	247,283	208,395	0	0	0	0	0	0	0	455,678
Other Transactions	1,219,483	0	0	0	0	0	0	0	0	1,219,483
Total Revenues	11,497,545	370,150	1,640,062	114,482	403,161	1,846	502	292,816	3,310	14,323,874
EXPENDITURES										
Instruction										
Basic Programs	5,354,370	0	0	0	0	0	0	0	0	5,354,370
Added Needs	1,809,936	0	0	0	0	0	0	0	0	1,809,936
Supporting Services										
Pupil	391,863	0	0	0	0	0	0	0	0	391,863
Instructional Staff	338,680	0	0	0	0	0	0	0	0	338,680
General Administration	296,572	0	0	0	0	0	0	0	0	296,572
School Administration	613,510	0	0	0	0	0	0	0	0	613,510
Business	210,413	0	0	0	0	0	500	956	11,450	223,319
Operation and Maintenance	1,022,907	0	0	0	0	0	24,848	750	17,850	1,066,355
Pupil Transportation Services	340,618	0	0	0	0	0	0	0	0	340,618
Central Services	159,741	0	0	0	0	0	51,484	0	0	211,225
Athletic Activities	255,708	0	0	0	0	0	0	0	0	255,708
Facilities Acquisition, Construction and Improvements	0	0	0	0	0	0	1,085	8,076,857	0	8,077,942
Food Service Activities	0	383,799	0	0	0	0	0	0	0	383,799
Community Services	887	0	0	0	0	0	0	0	0	887
Community Activities	5,176	0	0	0	0	0	0	0	0	5,176
Custody and Care of Children	48,687	0	0	0	0	0	0	0	0	48,687
Non-Public School Pupils	34,163	0	0	0	0	0	0	0	0	34,163

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

CHARLEVOIX PUBLIC SCHOOLS
CHARLEVOIX, MICHIGAN

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

YEAR ENDED JUNE 30, 2019

	GENERAL FUND	FOOD SERVICE FUND	DEBT SERVICE FUNDS				CAPITAL PROJECTS FUNDS			TOTAL GOVERNMENTAL FUNDS
			2011 DEBT SERVICE FUND	2012 DEBT SERVICE FUND	2015 DEBT SERVICE FUND	2018 DEBT SERVICE FUND	2015 CAPITAL PROJECTS FUND	2018 CAPITAL PROJECTS FUND	2019 CAPITAL PROJECTS FUND	
Debt Service										
Principal	0	0	1,565,000	250,000	230,000	0	0	0	0	2,045,000
Bond Issuance Costs	0	0	0	0	0	0	0	500	13,283	13,783
Interest and Fees	0	0	85,114	5,172	113,272	542,417	0	0	0	745,975
Total Expenditures	10,883,231	383,799	1,650,114	255,172	343,272	542,417	77,917	8,079,063	42,583	22,257,568
Excess (Deficiency) of Revenues Over (Under) Expenditures	614,314	(13,649)	(10,052)	(140,690)	59,889	(540,571)	(77,415)	(7,786,247)	(39,273)	(7,933,694)
<u>OTHER FINANCING SOURCES (USES)</u>										
Face Value of Debt	0	0	0	0	0	0	0	0	890,000	890,000
Sale of Capital Assets	11,777	0	0	0	0	0	0	0	0	11,777
Transfer In/(Out)	(4,100)	4,100	0	0	0	786,504	0	(786,504)	0	0
Total Other Financing Sources (Uses)	7,677	4,100	0	0	0	786,504	0	(786,504)	890,000	901,777
Net Change in Fund Balance	621,991	(9,549)	(10,052)	(140,690)	59,889	245,933	(77,415)	(8,572,751)	850,727	(7,031,917)
<u>FUND BALANCE</u> - Beginning of Year	1,242,715	120,224	231,570	165,132	110,779	0	158,241	14,255,840	0	16,284,501
<u>FUND BALANCE</u> - End of Year	\$ 1,864,706	\$ 110,675	\$ 221,518	\$ 24,442	\$ 170,668	\$ 245,933	\$ 80,826	\$ 5,683,089	\$ 850,727	\$ 9,252,584

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

CHARLEVOIX PUBLIC SCHOOLS
CHARLEVOIX, MICHIGAN

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

YEAR ENDED JUNE 30, 2019

Net Change in Fund Balances Total Governmental Funds \$ (7,031,917)

Amounts reported for governmental activities are different because:

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

Depreciation Expense	(950,228)
Capital Outlay	7,434,412

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

Accrued Interest Payable - Beginning of Year	132,729
Accrued Interest Payable - End of Year	(109,344)

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

Repayment of Bond Principal	2,045,000
Issuance of Debt	(890,000)
Amortization of Bond Premium	17,065

Compensated Absences are reported on the accrual method in the Statement of Activities, and recorded as an expenditure when financial resources are used in the governmental funds:

Compensated Absences - Beginning of Year	802,256
Compensated Absences - End of Year	(847,571)

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

CHARLEVOIX PUBLIC SCHOOLS
CHARLEVOIX, MICHIGAN

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

YEAR ENDED JUNE 30, 2019

Governmental funds report district pension and other postemployment benefit contributions as expenditures. However, in the Statement of Activities, the cost of pension and other postemployment benefits earned net of employee contributions are reported as expenses.

Change in Pension Related Items	(886,195)
Change in Other Postemployment Benefits Related Items	222,392

Restricted revenue reported in the governmental funds that is deferred to offset the deferred outflows related to Section 147c pension and other postemployment benefit contributions subsequent to the measurement date.

Change in State Aid Funding of Pension	<u>(6,832)</u>
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CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	<u><u>\$ (68,233)</u></u>
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The notes to the financial statements are an integral part of this statement.

CHARLEVOIX PUBLIC SCHOOLS
CHARLEVOIX, MICHIGAN

STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUND

JUNE 30, 2019

	<u>AGENCY FUNDS</u>
	<u>STUDENT</u>
	<u>ACTIVITIES</u>
<u>ASSETS</u>	
Cash	\$ 297,136
Due from Other Funds	100
	<hr/>
TOTAL ASSETS	297,236
	<hr/>
<u>LIABILITIES</u>	
Due to Groups and Organizations	221,622
Due to Other Funds	75,614
	<hr/>
TOTAL LIABILITIES	297,236
	<hr/>
<u>NET POSITION</u>	\$ 0
	<hr/> <hr/>

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

CHARLEVOIX PUBLIC SCHOOLS

CHARLEVOIX, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

The School District is located in Charlevoix and Antrim Counties with its administrative offices located in Charlevoix, Michigan. The District operates under an elected 7-member board of education and provides services to its 875 students in elementary, middle school, high school, special education and adult education instruction, guidance, health, transportation, food service, athletics and recreation. The District receives funding from local, state, and federal government sources and must comply with all of the requirements of these funding source entities. The District is not included in any other governmental reporting entity as defined by generally accepted accounting principles. Board members are elected by the public and have decision-making authority, the power to designate management, the ability to significantly influence operations, and the primary accountability for fiscal matters.

B. Description of Government-Wide Financial Statements

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

C. Basis of Presentation – Government-Wide Financial Statements

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

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

D. Basis of Presentation – Fund Financial Statements

The fund financial statements provide information about the government's funds, including its fiduciary funds. Separate statements for each fund category – governmental and fiduciary – are presented. The emphasis

CHARLEVOIX PUBLIC SCHOOLS

CHARLEVOIX, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

The District reports the following major governmental funds:

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

The *DEBT SERVICE FUNDS*, including the 2011, 2012, 2015, and 2018 debt service funds, accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.

The *CAPITAL PROJECTS FUNDS*, including the 2015, 2018, and 2019 capital projects funds account for the acquisition of capital assets or construction of major capital projects.

The *FOOD SERVICE FUND*, a special revenue fund, accounts for revenue sources that are legally restricted to expenditures for specific purposes.

Additionally, the District reports the following fiduciary fund:

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

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

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

E. Measurement Focus and Basis of Accounting

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

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a

CHARLEVOIX PUBLIC SCHOOLS

CHARLEVOIX, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

liability is incurred, regardless of timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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

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

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

F. Budgetary Information

1. Budgetary Basis of Accounting

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

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

CHARLEVOIX PUBLIC SCHOOLS

CHARLEVOIX, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

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

- (a) The coordinator of business services submits to the School Board a proposed operating budget for the fiscal year commencing on July 1. The operating budget includes proposed expenditures and the means of financing them. The level of control for the budgets is at the functional level as set forth and presented as required supplementary information.
- (b) Public hearings are conducted to obtain taxpayer comments.
- (c) The budget is legally adopted by School Board resolution pursuant to the Uniform Budgeting and Accounting Act. The Act requires that the budget be amended prior to the end of the fiscal year when necessary to adjust appropriations if it appears that revenues and other financing sources will be less than anticipated or so that expenditures will not be in excess of original estimates. Expenditures shall not be made or incurred, unless authorized in the budget, in excess of the amount appropriated. Violations if any are noted below.
- (d) The superintendent is charged with general supervision of the budgets and shall hold the budgets and shall hold the department heads responsible for performance of their responsibilities.
- (e) During the year the budgets are monitored and amendments to the budget resolution are made when it is deemed necessary.
- (f) Budgeted amounts are as originally adopted on June 18, 2018, or as amended by the School Board of Education throughout the year.

2. *Excess of Expenditures Over Appropriations*

Excess of expenditures over appropriations occurred in the General Fund as follows:

- Supporting Services – Athletic Activities expenditures of \$255,708 exceeded appropriations of \$249,324.
- Non-Public School Pupils expenditures of \$34,163 exceeded appropriations of \$32,512.

These overages were funded by available fund balance.

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

1. *Cash and Cash Equivalents*

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

CHARLEVOIX PUBLIC SCHOOLS

CHARLEVOIX, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

2. *Investments*

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

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

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

3. *Inventory and Prepaid Items*

Inventories are valued at cost using the first-in/first-out method. Inventories in the special revenue funds consisting of expendable supplies held for consumption, are recorded as expenditures when consumed rather than when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid expenditures. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

4. *Capital Assets*

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

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets.

CHARLEVOIX PUBLIC SCHOOLS

CHARLEVOIX, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

Depreciation on all assets is provided on the straight-line basis over the estimated useful lives as follows:

	<u>YEARS</u>
Land Improvements	10-20
Buildings and Improvements	20-50
Vehicles and Buses	5-10
Furniture and Other Equipment	7-10

5. *Unearned Revenue*

Unearned revenue arises when resources are received by the District before it has a legal claim to them. In subsequent periods, when both revenue recognition criteria are met, or when the government has a legal claim to the resources, revenue is recognized. The District has unearned grant revenue in the general fund and unearned revenue in the food service fund related to student balances at the end of the fiscal year.

6. *Compensated Absences*

The liability for compensated absences reported in the district-wide statements consists of unpaid, accumulated annual and sick leave balances. The liability has been calculated using the vesting method, in which sick leave amounts for both employees who are currently eligible to receive termination payments and other employees who are expected to become eligible in the future to receive such payments upon termination are included.

7. *Long-Term Obligations*

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

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

8. *Deferred Outflows/Inflows of Resources*

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District has two items that qualify for reporting in this category which are related to the pension plan and other postemployment benefits for its employees. Details can be found in footnotes 3.E and 3.F.

CHARLEVOIX PUBLIC SCHOOLS

CHARLEVOIX, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. The separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District has two items that qualify for reporting in this category, which are related to the pension plan and other postemployment benefits for its employees. Details can be found in footnote 3.E and 3.F.

9. *Defined Benefit Plans*

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

10. *Net Position Flow Assumption*

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

11. *Fund Balance Flow Assumption*

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

12. *Fund Balance Policies*

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

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

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

13. Use of Estimates

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

14. Restricted Assets

Certain resources of the 2015, 2018, and 2019 Capital Projects Funds that are set aside for capital outlay are classified as restricted cash and investments on the balance sheet because their use is limited by applicable bond covenants.

H. Revenues and Expenditures/Expenses

1. State Revenue

The State of Michigan utilizes a foundation grant approach which provides for a specific annual amount of revenue per pupil based on a statewide formula. The local portion of the foundation is funded primarily by non-homestead property taxes. Since the District's property tax collections exceed the state's formula, the foundation grant approach does not apply to the District. Instead, the District uses its locally collected property taxes to fund the District.

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.

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2. Program Revenues

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

3. Property Taxes

Property taxes levied by the District are collected by various municipalities and periodically remitted to the District. Property taxes are assessed as of January 1 and billed and due July 1. Unpaid taxes become delinquent as of September 14th and are subject to penalties and interest after that date.

For the year ended June 30, 2019, the District levied the following amounts per \$1,000 of taxable valuation:

Fund	Mills
General Fund - Non-Principal Residence Exemption (PRE)	17.7611
General Fund - Commercial Personal Property	6.0000
2015 Debt Service Fund - PRE, Non-PRE, and Commercial Personal Property	0.5000
2012 Debt Service Fund - PRE, Non-PRE, and Commercial Personal Property	0.1250
2011 Debt Service Fund - PRE, Non-PRE, and Commercial Personal Property	2.0200

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Violations of Legal or Contractual Provisions

Note 1.F.2, on the Excess of Expenditures over Appropriations, describes a budgetary violation that occurred for the year ended June 30, 2019.

NOTE 3 - DETAILED NOTES ON ALL ACTIVITIES AND FUNDS

A. Deposits and Investments

Custodial Credit Risk – Deposits. In the case of deposits, this is the risk that in the event of a bank failure, the government's deposits may not be returned to it. As of June 30, 2019, \$643,163 of the government's bank balance of \$2,701,017 was exposed to custodial credit risk because it was uninsured and uncollateralized. The risk is spread amongst the District's general, food service, and agency funds. Although the District's investment policy does not directly address custodial credit risk, it typically limits its exposure by purchasing insured or registered investments or by controlling who holds the deposits and investments.

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Interest Rate Risk. In accordance with its investment policy, the District will minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates by structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the open market; and, investing operating funds primarily in shorter-term securities, liquid asset funds, money market mutual funds, or similar investment pools and limiting the average maturity in accordance with the District’s cash requirements.

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

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

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

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

As of June 30, 2019, the District had the following investments:

	Fair Value	Weighted Average Maturity (Years)	Standard & Poor's Rating	%
MILAF+ External Investment Pool - MAX Class	\$ 9,804,693	0.0027	AAAm	100.00%

1 Day Maturity Equals 0.0027, One Year Equals 1.000

The District invests certain excess funds in external pooled investment funds which include money market funds. One of the pooled investment funds utilized by the District is the Michigan Investment Liquid Asset Fund Plus (MILAF+). MILAF+ is a local government investment pool of “qualified” investments for Michigan school districts. MILAF+ is not regulated nor is it registered with the SEC. MILAF+ reports as of June 30, 2019, the fair value of the District’s investments is the same as the value of the pooled shares. MILAF, as defined by GASB, is recorded at amortized cost which approximates fair value. The MILAF+ portfolio offers three share classes which are: Cash Management Class, MAX Class, and GovMIC Class. The only class that has limitations or restrictions on withdrawals is MAX Class, which requires notification of redemptions prior to 14 days to avoid penalties. The MILAF+ portfolio is not subject to fair value disclosures.

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

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

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

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

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

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

The carrying amount of deposits and investments is as follows:

	<u>Total</u>
Deposits – including Fiduciary Funds of \$297,136	\$ 2,701,017
Investments	<u>9,804,693</u>
	<u>\$ 12,505,710</u>

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

	<u>Total</u>
Cash - Fiduciary Funds	\$ 297,136
Cash - District-Wide	2,322,555
Restricted Cash - District-Wide	81,326
Investments	1,548,538
Restricted Investments	8,256,155
	<u>\$ 12,505,710</u>

B. Receivables

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

	<u>GENERAL FUND</u>	<u>FOOD SERVICE FUND</u>	<u>TOTAL</u>
Receivables			
Accounts	\$ 7,763	\$ 0	\$ 7,763
Due from Other Governments	323,473	5,742	329,215
	<hr/>		
Total Receivables	\$ 331,236	\$ 5,742	\$ 336,978

Amounts due from other governments include amounts due from federal, state, and local sources for various projects and programs. Because of the District's favorable collection experience, no allowance for doubtful accounts has been recorded.

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

	<u>UNAVAILABLE</u>	<u>UNEARNED</u>
Food Service Student Balances	\$ 0	\$ 6,563
Grant Receipts Received, But Not Yet Utilized	0	478,213
	<hr/>	
Total Unavailable/Unearned Revenue for Governmental Funds	\$ 0	\$ 484,776

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C. Capital Assets

Capital assets activity for the year ended June 30, 2019, was as follows:

	Balance			Balance		
	July 1, 2018	Additions	Deletions	June 30, 2019		
Assets Not Being Depreciated						
Land	\$ 466,745	\$ 0	\$ 0	\$ 466,745		
Construction in Progress	60,857	7,391,862	0	7,452,719		
Total Assets Not Being Depreciated	<u>527,602</u>	<u>7,391,862</u>	<u>0</u>	<u>7,919,464</u>		
Other Capital Assets						
Land Improvements	1,489,240	0	0	1,489,240		
Buildings and Improvements	32,959,883	32,144	0	32,992,027		
Machinery and Equipment	2,425,759	10,406	0	2,436,165		
Textbooks and Library Books	83,718	0	0	83,718		
Transportation Equipment	1,150,149	0	65,505	1,084,644		
Subtotal	<u>38,108,749</u>	<u>42,550</u>	<u>65,505</u>	<u>38,085,794</u>		
Less Accumulated Depreciation						
Land Improvements	534,675	46,428	0	581,103		
Buildings and Improvements	12,009,087	698,043	0	12,707,130		
Machinery and Equipment	1,718,167	124,283	0	1,842,450		
Textbooks and Library Books	83,718	0	0	83,718		
Transportation Equipment	760,214	81,474	65,505	776,183		
Subtotal	<u>15,105,861</u>	<u>950,228</u>	<u>65,505</u>	<u>15,990,584</u>		
Net Other Capital Assets	<u>23,002,888</u>	<u>(907,678)</u>	<u>0</u>	<u>22,095,210</u>		
Net Capital Assets	<u>\$ 23,530,490</u>	<u>\$ 6,484,184</u>	<u>\$ 0</u>	<u>\$ 30,014,674</u>		

Depreciation for the fiscal year ended June 30, 2019, amounted to \$950,228. The District determined that it was impractical to allocate depreciation to the various governmental activities as the assets serve multiple functions.

D. Retirement and Post-Employment Benefits

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

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

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 of the System.

Benefits Provided- Overall

Introduction

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

<u>Plan Name</u>	<u>Plan Type</u>	<u>Plan Status</u>
Basic	Defined Benefit	Closed
Member Investment Plan (MIP)	Defined Benefit	Closed
Pension Plus	Hybrid	Closed
Pension Plus 2	Hybrid	Open
Defined Contribution	Defined Contribution	Open

Benefits Provided – Pension

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

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

Pension Reform 2010

On May 19, 2010, the Governor signed Public Act 75 of 2010 into law. As a result, any member of the Michigan Public School Employees' Retirement System (MPSERS) who became a member of MPSERS after June 30, 2010 is a Pension Plus member. Pension Plus is a hybrid plan that contains a pension component

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with an employee contribution (graded, up to 6.4% of salary) and a flexible and transferable defined contribution (DC) tax-deferred investment account that earns an employer match of 50% (up to 1% of salary) on employee contributions. Retirement benefits for Pension Plus members are determined by final average compensation and years of service. Disability and survivor benefits are available to Pension Plus members.

Pension Reform 2012

On September 4, 2012, the Governor signed Public Act 300 of 2012 into law. The legislation grants all active members who first became a member before July 1, 2010 and who earned service credit in the 12 months ending September 3, 2012 or were on an approved professional services or military leave of absence on September 3, 2012, a voluntary election regarding their pension. Any changes to a member's pension are effective as of the member's *transition date*, which is defined as the first day of the pay period that begins on or after February 1, 2013.

Under the reform, members voluntarily chose to increase, maintain, or stop their contributions to the pension fund.

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

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

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

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

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

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

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

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

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

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

Pension Reform of 2017

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

Benefits Provided – Other postemployment benefit (OPEB)

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

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

Regular Retirement (no reduction factor for age)

Eligibility – A basic plan member may retire at age 55 with 30 years credited service; or age 60 with 10 years credited service. For Member Investment Plan (MIP) members, age 46 with 30 years credited service; or age 60 with 10 years credited service; or age 60 with 5 years of credited service provided member worked through 60th birthday and has credited service in each of the last 5 years. For Pension Plus Plan (PPP) members, age 60 with 10 years of credited service.

Annual Amount – The annual pension is paid monthly for the lifetime of a retiree. The calculation of a member's pension is determined by their pension election under PA 300 of 2012.

Member Contributions

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

Employer Contributions

Employers are required by Public Act 300 of 1980, as amended, to contribute amounts necessary to finance the coverage of members and retiree other postemployment benefits (OPEB). Contribution provisions are specified by State statute and may be amended only by action of the State Legislature.

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

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For retirement and OPEB benefits, the unfunded (overfunded) actuarial accrued liability as of September 30, 2017 valuation will be amortized over a 21-year period beginning October 1, 2017 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:

	<u>Pension</u>	<u>Other Postemployment Benefit</u>
October 1, 2017 - September 30, 2018	13.54% - 19.74%	7.42% - 7.67%
October 1, 2018 - September 30, 2019	13.39% - 19.59%	7.57% - 7.93%

The District's pension contributions for the year ended June 30, 2019 were equal to the required contribution total. Pension contributions were approximately \$1,631,000 with \$1,611,000 specifically for the Defined Benefit Plan.

The District's OPEB contributions for the year ended June 30, 2019 were equal to the required contribution total. OPEB benefits were approximately \$420,000, with \$398,000 specifically for the Defined Benefit Plan.

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

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

Pension Liabilities

At June 30, 2019, the District reported a liability of \$19,005,016 for its proportionate share of the net pension liability. The net pension liability was measured as of September 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation date of September 30, 2017 and rolled-forward using generally accepted actuarial procedures. The District's proportion of the net pension liability was based on a projection of its long-term share of contributions to the pension plan relative to the projected contributions of all participating reporting units, actuarially determined. At September 30, 2018 and 2017, the District's proportion was 0.06321981% and 0.06503180%.

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MPERS (Plan) Non-University Employers Net Pension Liability

	<u>September 30, 2018</u>	<u>September 30, 2017</u>
Total Pension Liability	\$ 79,863,694,444	\$ 72,407,218,688
Plan Fiduciary Net Position	49,801,889,205	46,492,967,573
Net Pension Liability	<u>\$ 30,061,805,239</u>	<u>\$ 25,914,251,115</u>
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	62.36%	64.21%
Net Pension Liability as a Percentage of Covered Payroll	352.81%	309.13%

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

For the year ended June 30, 2019, the District recognized total pension expense of \$2,497,265.

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

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 88,187	\$ 138,106
Section 147c revenue related to District Pension contributions subsequent to measurement date	0	678,275
Changes of assumptions	4,401,546	0
Net difference between projected and actual earnings on pension plan investments	0	1,299,460
Changes in proportion and differences between District contributions and proportionate share of contributions	486,695	374,280
District contributions subsequent to the measurement date	<u>1,518,460</u>	<u>0</u>
Total	<u>\$ 6,494,888</u>	<u>\$ 2,490,121</u>

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\$1,518,460 reported as deferred outflows of resources and \$678,275 reported as deferred inflows or resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the subsequent fiscal year. Other amounts reported as deferred outflows of resources (+) and deferred inflows of resources (-) related to pensions will be recognized in pension expense as follows:

<u>Year Ended September 30,</u>	<u>Amount</u>
2019	1,439,736
2020	948,564
2021	571,708
2022	204,574
	<hr/>
	\$ 3,164,582
	<hr/>

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

OPEB Liabilities

At June 30, 2019, the District reported a liability of \$4,876,046 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of September 30, 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation date of September 30, 2017 and rolled-forward using generally accepted actuarial procedures. The District's proportion of the net OPEB liability was based on a projection of its long-term share of contributions to the OPEB plan relative to the projected contributions of all participating reporting units, actuarially determined. At September 30, 2018 and 2017, the District's proportion was 0.06134200% and 0.06495040%.

MPSERS (Plan) Non-University Employers Net OPEB Liability

	<u>September 30, 2018</u>	<u>September 30, 2017</u>
Total OPEB Liability	\$ 13,932,170,264	\$ 13,920,945,991
Plan Fiduciary Net Position	5,983,218,473	5,065,474,948
	<hr/>	<hr/>
OPEB Liability	\$ 7,948,951,791	\$ 8,855,471,043
	<hr/>	<hr/>
Plan Fiduciary Net Position as a Percentage of Total OPEB Liability	42.95%	36.39%
OPEB Liability as a Percentage of Covered Payroll	93.29%	105.64%

CHARLEVOIX PUBLIC SCHOOLS

CHARLEVOIX, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

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

For the year ended June 30, 2019, the District recognized total OPEB expense of \$175,902.

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

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 0	\$ 907,557
Changes of assumptions	516,376	0
Net difference between projected and actual earnings on OPEB plan investments	0	187,398
Changes in proportion and differences between District contributions and proportionate share of contributions	751	272,404
District contributions subsequent to the measurement date	<u>357,771</u>	<u>0</u>
Total	<u>\$ 874,898</u>	<u>\$ 1,367,359</u>

\$357,771 reported as deferred outflows of resources related to OPEB resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the 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:

<u>Year Ended September 30,</u>	<u>Amount</u>
2019	(201,866)
2020	(201,866)
2021	(201,866)
2022	(163,732)
2023	<u>(80,902)</u>
	<u>\$ (850,232)</u>

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NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

G. Actuarial Assumptions

Investment rate of return for Pension – 7.05% a year, compounded annually net of investment and administrative expenses for the Non-Hybrid groups and 7.0% a year, compounded annually net of investment and administrative expenses for the Hybrid group (Pension Plus Plan).

Investment rate of return for OPEB – 7.15% a year, compounded annually net of investment and administrative expenses

Salary increases - The rate of pay increase used for individual members is 2.75%.

Inflation – 3.0%

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, 2017. 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, 2017 valuation.

The long-term expected rate of return on pension and other postemployment benefit plan investments - The pension rate was 7.05% (7% Pension Plus Plan), and the other postemployment benefit rate was 7.15%, net of investment and administrative expenses was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

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

Healthcare cost trend rate for other postemployment benefit – 7.5% for year one and graded to 3.0% to year twelve.

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

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

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JUNE 30, 2019

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

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

The target asset allocation at September 30, 2018 and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Investment Category</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return *</u>
Domestic Equity Pools	28.00%	5.60%
Alternative Investment Pools	18.00%	8.70%
International Equity	16.00%	7.20%
Fixed Income Pools	10.50%	-0.10%
Real Estate & Infrastructure Pools	10.00%	4.20%
Absolute Return Pools	15.50%	5.00%
Short-Term Investment Pools	2.00%	-0.90%
	<u>100%</u>	

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

Pension Discount Rate

A discount rate of 7.05% was used to measure the total pension liability (7.0% for the Pension Plus Plan and 6.00% for the Pension Plus 2 Plan). This discount rate was based on the long-term rate of return on pension plan investments of 7.05% (7.0% for the Pension Plus Plan and 6.00% for the Pension Plus 2 Plan). The projection of cash flows used to determine this discount rate assumed that plan member contributions will be made at the current contribution rate and that contributions from school districts will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

OPEB Discount Rate

The discount rate of 7.15% was used to measure the total OPEB liability. This discount rate was based on the long-term expected rate of return on OPEB plan investments of 7.15%. The projection of cash flows used to determine this discount rate assumed that plan member contributions will be made at the current contribution rate and that 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.

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JUNE 30, 2019

Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

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

The following presents the District's proportionate share of the net pension liability, calculated using the discount rate of 7.05% (7.0% for the Pension Plus Plan and 6.00% for the Pension Plus 2 Plan), as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher:

<u>1% Decrease</u>	<u>Discount Rate</u>	<u>1% Increase</u>
\$ 24,952,118	\$ 19,005,016	\$ 14,063,941

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

The following presents the Reporting Unit's proportionate share of the net OPEB liability calculated using the discount rate of 7.15%, 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:

<u>1% Decrease</u>	<u>Discount Rate</u>	<u>1% Increase</u>
\$ 5,853,594	\$ 4,876,046	\$ 4,053,809

Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rates

The following presents the Reporting Unit's proportionate share of the net other postemployment benefit liability calculated using the healthcare cost trend rate of 7.5% (decreasing to 3.0%), as well as what the Reporting Unit's proportionate share of the net other postemployment benefit liability would be if it were calculated using a healthcare cost trend rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

<u>1% Decrease</u>	<u>Healthcare Cost Trend Rates</u>	<u>1% Increase</u>
\$ 4,010,494	\$ 4,876,046	\$ 5,869,011

H. Pension and OPEB Plan Fiduciary Net Position

Detailed information about the pension and OPEB plan's fiduciary net position is available in the separately issued Michigan Public School Employees Retirement System 2018 Comprehensive Annual Financial Report.

CHARLEVOIX PUBLIC SCHOOLS

CHARLEVOIX, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

I. Payables to the Pension and OPEB Plan

As of June 30, 2019, the District is current on all required pension plan payments. As of June 30, 2019, the District reported payables in the amount of \$313,181 to the pension and OPEB plan. These amounts represent current payments for June wages paid in July, accruals for summer pay primarily for teachers and also the contributions due funded from state revenue Section 147c restricted to fund the MPSERS Unfunded Actuarial Accrued Liability (UAAL).

J. Risk Management

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

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

K. Long-Term Obligations

The District issues general obligation bonds to provide funds for the acquisition, construction and improvement of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the District.

The following is a summary of governmental long-term obligations for the District for the year ended June 30, 2019:

	Compensated Absences	General Obligation Bonds	Net Pension Liability	Net OPEB Liability	Total
Balance July 1, 2018	\$ 802,256	\$ 21,885,000	\$ 16,852,084	\$ 5,751,662	\$ 45,291,002
Additions	45,315	890,000	3,874,421	0	4,809,736
Deletions	0	2,045,000	1,721,489	875,616	4,642,105
Balance June 30, 2019	847,571	20,730,000	19,005,016	4,876,046	45,458,633
Less current portion	Unknown	2,035,000	Unknown	Unknown	2,035,000
Total due after one year	<u>\$ 847,571</u>	<u>\$ 18,695,000</u>	<u>\$ 19,005,016</u>	<u>\$ 4,876,046</u>	<u>\$ 43,423,633</u>

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NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

The District's debt obligations at June 30, 2019, is comprised of the following issues:

General Obligation Bonds

2011 Refunding Bonds Due in an Annual Installment of \$1,530,000 Through May 1, 2020, Interest at 2.65%	\$ 1,530,000
2015 School Building and Site Bonds Due in Annual Installments of \$430,000 to \$740,000 through May 1, 2025, Interest at 2.00% to 3.00%	3,975,000
2018 School Building and Site Bonds Due in Annual Installments of \$460,000 to \$905,000 through May 1, 2042, Interest at 3.125% to 4.00%	14,335,000
2019 School Building and Site Bonds Due in Annual Installments of \$75,000 to \$205,000 through May 1, 2024, Interest at 2.150%	890,000

Other Long Term Debt

Compensated Absences	847,571
Net Pension Liability	19,005,016
Net Other Postemployment Benefits Liability	4,876,046
Total Debt	<u>\$ 45,458,633</u>

The annual requirements to amortize all long-term obligations outstanding as of June 30, 2019, including interest payments of \$7,521,852 are as follows:

Year Ending June 30,	General Obligation Bonds		
	Principal	Interest	Payable
2020	\$ 2,035,000	\$ 656,010	\$ 2,691,010
2021	1,335,000	605,197	1,940,197
2022	1,375,000	569,648	1,944,648
2023	1,405,000	533,021	1,938,021
2024	1,435,000	492,001	1,927,001
2025-2029	3,500,000	1,994,169	5,494,169
2030-2034	3,230,000	1,511,918	4,741,918
2035-2039	3,795,000	947,688	4,742,688
20340-2043	2,620,000	212,200	2,832,200
	<u>20,730,000</u>	<u>7,521,852</u>	<u>28,251,852</u>
Compensated Absences	847,571	0	847,571
Net Pension Liability	19,005,016	0	19,005,016
Net Other Postemployment Benefits Liability	4,876,046	0	4,876,046
	<u>\$ 45,458,633</u>	<u>\$ 7,521,852</u>	<u>\$ 52,980,485</u>

CHARLEVOIX PUBLIC SCHOOLS

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NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

The annual requirements to amortize the compensated absences, net pension liability, and net other postemployment benefits are uncertain because it is unknown when the employees will use the sick leave or pension benefits.

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

L. Interfund Receivables and Payables

Interfund Receivables and Payables as shown in the individual fund financial statements at June 30, 2019, were:

	<u>INTERFUND RECEIVABLES</u>	<u>INTERFUND PAYABLES</u>
General Fund	\$ 94,100	\$ 104,792
Food Service Fund	0	4,877
2011 Debt Service Fund	42,618	0
2012 Debt Service Fund	2,722	0
2018 Debt Service Fund	59,452	0
2015 Capital Projects Fund	0	500
2019 Capital Projects Fund	0	13,209
Fiduciary Funds - Internal Service Funds	100	75,614
	<u>\$ 198,992</u>	<u>\$ 198,992</u>

The outstanding balances between funds result mainly from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made. All interfund balances outstanding at June 30, 2019, are expected to be repaid within one year.

M. Interfund Transfers

	<u>TRANSFERS IN</u>	<u>TRANSFERS OUT</u>
General Fund	\$ 0	\$ 4,100
Food Service Fund	4,100	0
2018 Debt Service Fund	786,504	0
2018 Capital Projects Fund	0	786,504
	<u>\$ 790,604</u>	<u>\$ 790,604</u>

Transfers are used to (1) move revenues from the fund that is required to collect them to the fund that is required or allowed to expend them; (2) move receipts restricted to or allowed for debt service from the funds

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collecting the receipts to the debt service fund as debt service payments become due; and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

N. Tax Abatements

The District receives reduced property tax revenues as a result of Industrial Facilities Tax exemptions granted by (cities, villages, and townships, etc.) within the District. Industrial Facilities Exemptions are intended to promote construction of new industrial facilities or to rehabilitate historical facilities.

For the fiscal year ended June 30, 2019 (tax year 2018) the District's property tax revenues were reduced by \$101,582 under these programs.

There are no significant abatements made by the District.

O. Other Information

1. *Commitments and Contingencies*

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

Before the end of the year, the District signed construction contracts for the Elementary School project in the 2018 Capital Projects fund. In total, the estimated cost of the new Elementary School is \$14,335,000, of that amount, \$5,478,537 is still outstanding. The District has also committed to purchasing a truck for \$32,027 and a bus for \$113,248 in the 2019-2020 fiscal year.

2. *Subsequent Events*

After year end the District signed contracts for Technology upgrades in the amount of \$81,693, a Playground upgrade in the amount of \$154,614, and for the purchase of new carpet in the amount of \$13,320. The District also sold property for a gross sales price of \$215,000 after the end of the 2018-19 fiscal year.

3. *Capital Projects Funds*

The 2015, 2018, and 2019 Capital Projects Funds include capital project activities funded with bonds issued after May 1, 1994. For these capital projects, the school district has complied with the applicable provisions of §1351a of the Revised School Code.

Beginning with the year of bond issuance, the school district has reported the annual construction activity in the 2015 Capital Projects Fund. The project for which the 2015 bonds were issued was considered

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CHARLEVOIX, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

complete on June 30, 2018, however, a small residual balance was spent in the 2018-2019 fiscal year, bringing the cumulative expenditures recognized for the construction period to \$4,362,314.

P. Upcoming Accounting Pronouncements

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

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

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

CHARLEVOIX PUBLIC SCHOOLS
CHARLEVOIX, MICHIGAN

REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE

YEAR ENDED JUNE 30, 2019

	<u>GENERAL FUND</u>			<u>FOOD SERVICE FUND</u>		
	<u>ORIGINAL</u>	<u>FINAL</u>	<u>ACTUAL</u>	<u>ORIGINAL</u>	<u>FINAL</u>	<u>ACTUAL</u>
	<u>BUDGET</u>	<u>BUDGET</u>		<u>BUDGET</u>	<u>BUDGET</u>	
<u>REVENUES</u>						
Local Sources	\$8,169,440	\$8,460,425	\$8,420,674	\$ 139,376	\$ 126,654	\$ 128,697
Non-Educational Sources	13,000	13,000	12,121	0	0	0
State Sources	1,400,444	1,615,304	1,597,984	31,597	30,305	33,058
Federal Sources	258,255	295,028	247,283	226,400	218,400	208,395
Other Transactions	1,354,458	1,295,729	1,219,483	0	0	0
Total Revenues	<u>11,195,597</u>	<u>11,679,486</u>	<u>11,497,545</u>	<u>397,373</u>	<u>375,359</u>	<u>370,150</u>
<u>EXPENDITURES</u>						
Instruction						
Basic Programs	5,517,350	5,497,037	5,354,370	0	0	0
Added Needs	1,878,351	1,949,158	1,809,936	0	0	0
Supporting Services						
Pupil	393,545	399,904	391,863	0	0	0
Instructional Staff	376,148	370,060	338,680	0	0	0
General Administration	307,548	307,043	296,572	0	0	0
School Administration	655,658	635,804	613,510	0	0	0
Business	181,840	210,933	210,413	0	0	0
Operation and Maintenance	1,048,801	1,065,359	1,022,907	0	0	0
Pupil Transportation Services	369,933	366,086	340,618	0	0	0
Central Services	151,016	161,214	159,741	0	0	0
Athletic Activities	298,324	249,982	255,708	0	0	0
Food Service Activities	0	0	0	426,804	407,106	383,799
Community Services	500	955	887	0	0	0
Community Activities	4,400	5,177	5,176	0	0	0
Custody and Care of Children	70,000	60,168	48,687	0	0	0
Non-Public School Pupils	29,291	32,512	34,163	0	0	0
Total Expenditures	<u>11,282,705</u>	<u>11,311,392</u>	<u>10,883,231</u>	<u>426,804</u>	<u>407,106</u>	<u>383,799</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(87,108)</u>	<u>368,094</u>	<u>614,314</u>	<u>(29,431)</u>	<u>(31,747)</u>	<u>(13,649)</u>
<u>OTHER FINANCING SOURCES (USES)</u>						
Sale of Capital Assets	0	0	11,777	0	0	0
Transfer In/(Out)	0	0	(4,100)	0	0	4,100
Total Other Financing Sources (Uses)	<u>0</u>	<u>0</u>	<u>7,677</u>	<u>0</u>	<u>0</u>	<u>4,100</u>
Net Change in Fund Balance	<u>(87,108)</u>	<u>368,094</u>	<u>621,991</u>	<u>(29,431)</u>	<u>(31,747)</u>	<u>(9,549)</u>
<u>FUND BALANCE</u> - Beginning of Year	<u>1,334,927</u>	<u>1,242,715</u>	<u>1,242,715</u>	<u>118,973</u>	<u>120,224</u>	<u>120,224</u>
<u>FUND BALANCE</u> - End of Year	<u>\$1,247,819</u>	<u>\$1,610,809</u>	<u>\$1,864,706</u>	<u>\$ 89,542</u>	<u>\$ 88,477</u>	<u>\$ 110,675</u>

CHARLEVOIX PUBLIC SCHOOLS
CHARLEVOIX, MICHIGAN

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
MICHIGAN PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM
LAST 10 FISCAL YEARS (AMOUNTS WERE DETERMINED AS OF 9/30 OF EACH PLAN YEAR)
JUNE 30, 2019

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
District's proportion of net pension liability (%)						0.06322%	0.06503%	0.06375%	0.06159%	0.05782%
District's proportionate share of net pension liability					\$ 19,005,016	\$ 16,852,084	\$ 15,904,203	\$ 15,043,953	\$ 12,735,198	
District's covered payroll					5,226,763	5,432,449	5,443,900	5,116,708	4,891,860	
District's proportionate share of net pension liability as a percentage of its covered payroll					363.61%	310.21%	292.15%	294.02%	260.33%	
Plan fiduciary net position as a percentage of total pension liability					62.36%	64.21%	63.27%	63.17%	66.20%	

CHARLEVOIX PUBLIC SCHOOLS
CHARLEVOIX, MICHIGAN

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF PENSION CONTRIBUTIONS
MICHIGAN PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM
LAST 10 FISCAL YEARS (AMOUNTS WERE DETERMINED AS OF 6/30 OF EACH FISCAL YEAR)
JUNE 30, 2019

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Statorily required contributions						\$ 1,611,070	\$ 1,620,839	\$ 1,521,097	\$ 1,188,197	\$ 1,169,414
Contributions in relation to statorily required contributions *						1,611,070	1,620,839	1,521,097	1,188,197	1,169,414
Contribution deficiency (excess)						\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Covered Payroll						\$ 5,190,385	\$ 5,270,607	\$ 5,417,822	\$ 5,171,381	\$ 5,111,035
Contributions as a percentage of covered payroll						31.04%	30.75%	28.08%	22.98%	22.88%

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

CHARLEVOIX PUBLIC SCHOOLS
CHARLEVOIX, MICHIGAN

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF PROPORTIONATE SHARE OF THE NET OTHER POSTEMPLOYMENT BENEFIT LIABILITY
MICHIGAN PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM
LAST 10 FISCAL YEARS (AMOUNTS WERE DETERMINED AS OF 9/30 OF EACH PLAN YEAR)
JUNE 30, 2019

	<u>2026</u>	<u>2025</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
District's proportion of net OPEB liability (%)									0.06134200%	0.06495038%
District's proportionate share of net OPEB liability									\$ 4,876,046	\$ 5,751,662
District's covered payroll									5,226,763	5,432,449
District's proportionate share of net OPEB liability as a percentage of its covered payroll									93.29%	105.88%
Plan fiduciary net position as a percentage of total OPEB liability									42.95%	36.39%

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CHARLEVOIX, MICHIGAN

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF OTHER POSTEMPLOYMENT BENEFIT CONTRIBUTIONS
MICHIGAN PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM
LAST 10 FISCAL YEARS (AMOUNTS WERE DETERMINED AS OF 6/30 OF EACH FISCAL YEAR)
JUNE 30, 2019

	<u>2027</u>	<u>2026</u>	<u>2025</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Statutorily required contributions									\$ 398,294	\$ 378,838
Contributions in relation to statutorily required contributions *									398,294	378,838
Contribution deficiency (excess)									\$ 0	\$ 0
Covered payroll									\$ 5,190,385	\$ 5,270,607
Contributions as a percentage of covered payroll									7.67%	7.19%

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

CHARLEVOIX PUBLIC SCHOOLS
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NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR YEAR ENDED JUNE 30, 2019

A. Changes of Benefit Terms:

There were no changes of benefit terms for the plan year ended September 30, 2018.

B. Changes of Assumptions:

There were no changes of benefit assumptions for the plan year ended September 30, 2018.

CHARLEVOIX PUBLIC SCHOOLS
CHARLEVOIX, MICHIGAN

SCHEDULE OF BONDS PAYABLE

JUNE 30, 2019

<u>TITLE OF ISSUE</u>	2011 Refunding Bonds		
<u>PURPOSE</u>	The Bonds are being issued for the purpose of advance refunding a portion of the District's outstanding 1999 School Building and Site Bonds dated December 1, 1999, which are due and payable May 1, 2010, through May 1, 2017, inclusive and May 1, 2020.		
<u>DATE OF ISSUE</u>	August 8, 2011		
<u>INTEREST PAYABLE</u>	May 1 and November 1 of Each Year		
<u>AMOUNT OF ISSUE</u>			\$ 14,725,000
<u>AMOUNT REDEEMED</u>			
Current Year		\$ 1,565,000	
Prior Years		<u>11,630,000</u>	<u>13,195,000</u>
<u>BALANCE OUTSTANDING</u>	June 30, 2019		<u>\$ 1,530,000</u>
<u>DUE DATES</u>	<u>INTEREST RATES</u>	<u>REQUIREMENTS</u>	
		<u>TOTAL</u>	<u>INTEREST</u>
		<u>PRINCIPAL</u>	
November 1, 2019		\$ 20,273	\$ 20,273
May 1, 2020	2.65%	<u>1,550,273</u>	<u>20,273</u>
		<u>\$ 1,570,546</u>	<u>\$ 40,546</u>
			<u>\$ 1,530,000</u>

CHARLEVOIX PUBLIC SCHOOLS
CHARLEVOIX, MICHIGAN

SCHEDULE OF BONDS PAYABLE

JUNE 30, 2019

<u>TITLE OF ISSUE</u>	2015 School Building and Site Bonds		
<u>PURPOSE</u>	The Bonds are being issued for the purpose of partially remodeling, refurbishing and re-equipping the District's buildings, including educational technology improvements; constructing and equipping a bus maintenance facility; acquiring school buses and developing and improving sites.		
<u>DATE OF ISSUE</u>	June 25, 2015		
<u>INTEREST PAYABLE</u>	May 1 and November 1 of Each Year		
<u>AMOUNT OF ISSUE</u>		\$	4,500,000
<u>AMOUNT REDEEMED</u>			
Current Year		\$	230,000
Prior Years			295,000
			525,000
<u>BALANCE OUTSTANDING</u>	June 30, 2019		\$ 3,975,000

<u>DUE DATES</u>	<u>INTEREST RATES</u>	<u>REQUIREMENTS</u>		
		<u>TOTAL</u>	<u>INTEREST</u>	<u>PRINCIPAL</u>
November 1, 2019		\$ 54,050	\$ 54,050	
May 1, 2020	2.00%	484,050	54,050	\$ 430,000
November 1, 2020		49,750	49,750	
May 1, 2021	2.50%	724,750	49,750	675,000
November 1, 2021		41,312	41,312	
May 1, 2022	2.50%	736,313	41,313	695,000
November 1, 2022		32,625	32,625	
May 1, 2023	3.00%	742,625	32,625	710,000
November 1, 2023		21,975	21,975	
May 1, 2024	3.00%	746,975	21,975	725,000
November 1, 2024		11,100	11,100	
May 1, 2025	3.00%	751,100	11,100	740,000
		\$ 4,396,625	\$ 421,625	\$ 3,975,000

CHARLEVOIX PUBLIC SCHOOLS
CHARLEVOIX, MICHIGAN

SCHEDULE OF BONDS PAYABLE

JUNE 30, 2019

<u>TITLE OF ISSUE</u>	2018 School Building and Site Bonds		
<u>PURPOSE</u>	The Bonds are being issued for the purpose of erecting additions to, remodel, furnish and refurnish, equip and re-equip elementary school buildings; acquiring and installing instructional technology and instructional technology equipment for an elementary school building and developing and improving playgrounds, play fields, parking areas driveways and sites.		
<u>DATE OF ISSUE</u>	March 21, 2018		
<u>INTEREST PAYABLE</u>	May 1 and November 1 of Each Year		
<u>AMOUNT OF ISSUE</u>		\$	14,335,000
<u>AMOUNT REDEEMED</u>			
Current Year		\$	0
Prior Years		0	0
		<u>0</u>	<u>0</u>
<u>BALANCE OUTSTANDING</u>	June 30, 2019		<u>\$ 14,335,000</u>

<u>DUE DATES</u>	<u>INTEREST RATES</u>	<u>REQUIREMENTS</u>		
		<u>TOTAL</u>	<u>INTEREST</u>	<u>PRINCIPAL</u>
November 1, 2019		\$ 244,087	\$ 244,087	
May 1, 2020	3.125%	244,088	244,088	
November 1, 2020		244,087	244,087	
May 1, 2021	3.125%	704,088	244,088	\$ 460,000
November 1, 2021		236,900	236,900	
May 1, 2022	3.125%	711,900	236,900	475,000
November 1, 2022		229,478	229,478	
May 1, 2023	3.125%	719,478	229,478	490,000
November 1, 2023		221,822	221,822	
May 1, 2024	3.125%	726,822	221,822	505,000
November 1, 2024		213,931	213,931	
May 1, 2025	3.125%	733,931	213,931	520,000
November 1, 2025		205,806	205,806	
May 1, 2026	3.125%	740,807	205,807	535,000
November 1, 2026		197,447	197,447	

CHARLEVOIX PUBLIC SCHOOLS
CHARLEVOIX, MICHIGAN

SCHEDULE OF BONDS PAYABLE

JUNE 30, 2019

<u>DUE DATES</u>	<u>INTEREST RATES</u>	<u>REQUIREMENTS</u>		
		<u>TOTAL</u>	<u>INTEREST</u>	<u>PRINCIPAL</u>
May 1, 2027	3.125%	747,447	197,447	550,000
November 1, 2027		188,853	188,853	
May 1, 2028	3.125%	758,853	188,853	570,000
November 1, 2028		179,947	179,947	
May 1, 2029	3.125%	764,947	179,947	585,000
November 1, 2029		170,806	170,806	
May 1, 2030	3.125%	775,806	170,806	605,000
November 1, 2030		161,353	161,353	
May 1, 2031	3.125%	786,353	161,353	625,000
November 1, 2031		151,588	151,588	
May 1, 2032	3.125%	796,588	151,588	645,000
November 1, 2032		141,509	141,509	
May 1, 2033	3.250%	806,509	141,509	665,000
November 1, 2033		130,703	130,703	
May 1, 2034	3.250%	820,703	130,703	690,000
November 1, 2034		119,491	119,491	
May 1, 2035	3.250%	829,491	119,491	710,000
November 1, 2035		107,953	107,953	
May 1, 2036	3.375%	842,953	107,953	735,000
November 1, 2036		95,550	95,550	
May 1, 2037	3.500%	855,550	95,550	760,000
November 1, 2037		82,250	82,250	
May 1, 2038	3.500%	862,250	82,250	780,000
November 1, 2038		68,600	68,600	
May 1, 2039	4.000%	878,600	68,600	810,000
November 1, 2039		52,400	52,400	
May 1, 2040	4.000%	892,400	52,400	840,000
November 1, 2040		35,600	35,600	
May 1, 2041	4.000%	910,600	35,600	875,000
November 1, 2041		18,100	18,100	
May 1, 2042	4.000%	923,100	18,100	905,000
		\$ 21,331,525	\$ 6,996,525	\$ 14,335,000

CHARLEVOIX PUBLIC SCHOOLS
CHARLEVOIX, MICHIGAN

SCHEDULE OF BONDS PAYABLE

JUNE 30, 2019

<u>TITLE OF ISSUE</u>	2019 School Building and Site Bonds		
<u>PURPOSE</u>	The Bonds are being issued for the purpose of partially remodeling, refurbishing and re-equipping the District's buildings, including educational technology improvements; constructing and equipping a bus maintenance facility; acquiring school buses and developing and improving sites.		
<u>DATE OF ISSUE</u>	April 15, 2019		
<u>INTEREST PAYABLE</u>	May 1 and November 1 of Each Year		
<u>AMOUNT OF ISSUE</u>		\$	890,000
<u>AMOUNT REDEEMED</u>			
Current Year	\$	0	
Prior Years		<u>0</u>	<u>0</u>
<u>BALANCE OUTSTANDING</u>	June 30, 2019	\$	<u><u>890,000</u></u>

<u>DUE DATES</u>	<u>INTEREST RATES</u>	<u>REQUIREMENTS</u>		
		<u>TOTAL</u>	<u>INTEREST</u>	<u>PRINCIPAL</u>
November 1, 2019	2.150%	\$ 9,621	\$ 9,621	
May 1, 2020		84,568	9,568	\$ 75,000
November 1, 2020	2.150%	8,761	8,761	
May 1, 2021		208,761	8,761	200,000
November 1, 2021	2.150%	6,611	6,611	
May 1, 2022		211,612	6,612	205,000
November 1, 2022	2.150%	4,408	4,408	
May 1, 2023		209,407	4,407	205,000
November 1, 2023	2.150%	2,204	2,204	
May 1, 2024		<u>207,203</u>	<u>2,203</u>	<u>205,000</u>
		<u>\$ 953,156</u>	<u>\$ 63,156</u>	<u>\$ 890,000</u>

