

**PELLSTON PUBLIC SCHOOLS**  
**REPORT ON FINANCIAL STATEMENTS**  
**(with required supplementary and additional information)**  
**JUNE 30, 2019**



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

CERTIFIED PUBLIC ACCOUNTANTS  
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PELLSTON PUBLIC SCHOOLS  
PELLSTON, MICHIGAN

ANNUAL FINANCIAL REPORT  
YEAR ENDED JUNE 30, 2019

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# Baird, Cotter & Bishop, P.C.

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www.bcbcpa.com

August 9, 2019

## INDEPENDENT AUDITOR'S REPORT

To the Board of Education  
Pellston Public Schools  
Pellston, Michigan

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Pellston Public Schools, Pellston, Michigan as of and for the year ended June 30, 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 Pellston Public Schools, Pellston, Michigan as of June 30, 2019, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## ***Other Matters***

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison schedule, schedule of proportionate share of the net pension liability, schedule of pension contributions, schedule of proportionate share of the net OPEB liability, schedule of OPEB contributions, and notes to required supplementary information on pages iv through xi and 37 through 42 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### ***Other Information***

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

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

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated August 9, 2019, on our consideration of Pellston Public Schools' internal control over financial reporting and on our tests

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

BAIRD, COTTER AND BISHOP, P.C.

*Baird, Cotter & Bishop, P.C.*

PELLSTON PUBLIC SCHOOLS  
PELLSTON, MICHIGAN

MANAGEMENT’S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED JUNE 30, 2019

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

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

**Financial Highlights Section**

**Government-Wide**

- The liabilities and deferred inflows of resources of the District exceeded its assets and deferred outflows of resources at the close of the most recent fiscal year by \$8,853,970 creating a deficit net position. Of this amount net capital assets net of related debt was a negative \$558,144.
- The government’s total net deficit decreased by \$1,170,656.

**Fund Level**

- As of the close of the current fiscal year, the District’s governmental funds reported combined ending fund balances of \$1,519,726, an increase of \$64,057 in comparison with the prior year.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$1,160,386.

**Overview of the Financial Statements**

**Government-Wide Financial Statements**

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

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

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

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

In the government-wide financial statements, the District’s activities are all shown in one category titled “Governmental Activities”. These activities, including regular and special education, transportation,



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MANAGEMENT’S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED JUNE 30, 2019

administration, food services, and athletic activities, are primarily financed with state and federal aids and property taxes.

**Fund Financial Statements**

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

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

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

The District maintains the following types of funds:

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

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

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 provide additional information that is essential to a full understanding of the data provided in the Government-wide and fund financial statements. The notes to the financial statements can be found on pages 9-36 of this report.

**Other Information**

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

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PELLSTON, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED JUNE 30, 2019

**Summary of Net Position**

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

	<u>2019</u>	<u>2018</u>
<b>Assets</b>		
Current Assets	\$ 2,275,968	\$ 2,220,847
Capital Assets, Net of Accumulated Depreciation	2,514,347	2,584,280
Total Assets	<u>4,790,315</u>	<u>4,805,127</u>
<b>Deferred Outflows of Resources</b>	<u>3,171,150</u>	<u>1,783,357</u>
<b>Liabilities</b>		
Current Liabilities	1,838,863	1,819,112
Long-Term Liabilities	12,774,108	13,401,390
Total Liabilities	<u>14,612,971</u>	<u>15,220,502</u>
<b>Deferred Inflow of Resources</b>	<u>2,202,464</u>	<u>1,392,608</u>
<b>Net Position</b>		
Net Investment in Capital Assets (Deficit)	(558,144)	(1,520,610)
Restricted for Specific Purposes	103,211	112,110
Unrestricted (Deficit)	<u>(8,399,037)</u>	<u>(8,616,126)</u>
Total Net Position (Deficit)	<u>\$ (8,853,970)</u>	<u>\$ (10,024,626)</u>

**Analysis of Financial Position**

During the fiscal year ended June 30, 2019, the District's net position increased by \$1,170,656. 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, \$415,413 was recorded for depreciation expense.

***2. Pension and Other Postemployment Benefits Expense***

GASB 68 now requires the District to account for its payments to the Michigan Public School Employees' Retirement System in a manner that has a significant effect on the District's change in net position. Based on

PELLSTON PUBLIC SCHOOLS  
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MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED JUNE 30, 2019

various factors, the District may report an increase or decrease in net position depending on whether the District's proportionate share of the net pension liability increase or decreases in any given year.

**3. Capital Outlay Acquisitions**

For the fiscal year ended June 30, 2019, \$345,480 of expenditures for equipment and building improvements were capitalized and recorded as assets of the District. These additions to the District's capital assets will be depreciated over time as explained above.

The net effect of the new capital assets and the current year's depreciation is a decrease to capital assets in the amount of \$69,933 for the fiscal year ended June 30, 2019.

**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>
<b>Revenues</b>		
Program Revenues		
Charges for Services	\$ 136,151	\$ 121,612
Operating Grants	1,784,440	1,922,250
Capital Grants	13,868	28,524
General Revenues		
Property Taxes	4,209,037	4,111,228
Regional Enhancement Millage	340,606	0
Investment Earnings	26,308	23,472
State Sources	877,602	921,222
Other	25,102	17,739
Total Revenues	<u>7,413,114</u>	<u>7,146,047</u>
<b>Expenses</b>		
Instruction	3,480,170	3,377,126
Supporting Services	1,700,000	1,805,855
Food Service Activities	442,497	336,613
Community Services	23,728	2,690
Facility Acquisitions	9,839	0
Interest on Long-Term Debt	170,811	207,723
Unallocated Depreciation	415,413	412,512
Total Expenses	<u>6,242,458</u>	<u>6,142,519</u>
Change in Net Position	1,170,656	1,003,528
<u>Net Position</u> (Deficit) - Beginning of Year	<u>(10,024,626)</u>	<u>(11,028,154)</u>
<u>Net Position</u> (Deficit) - End of Year	<u>\$ (8,853,970)</u>	<u>\$ (10,024,626)</u>

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MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED JUNE 30, 2019

**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>Increase (Decrease)</u>
<b>Major Funds</b>			
General Fund	\$ 1,309,156	\$ 1,240,630	\$ 68,526
2008 Refunding Debt	103,729	119,990	(16,261)
<b>Nonmajor Funds</b>			
Food Service	85,738	74,995	10,743
2012 School Technology and Equipment	21,103	20,054	1,049
2010 QZAB Bonds	0	0	0
2011 QZAB Bonds	0	0	0
Total Governmental Funds	<u>\$ 1,519,726</u>	<u>\$ 1,455,669</u>	<u>\$ 64,057</u>

In 2018-2019, the General Fund balance increased primarily due to receiving \$340,606 in regional enhancement millage revenue.

The 2008 Refunding Fund decreased its fund balance because taxes received were less than debt payments due.

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

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

**General Fund Budgetary Highlights**

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

PELLSTON PUBLIC SCHOOLS  
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MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED JUNE 30, 2019

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

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL
<u>REVENUES AND OTHER SOURCES</u>	\$ 5,968,679	\$ 5,967,929	\$ 5,953,356
<u>EXPENDITURES AND OTHER USES</u>			
Instruction	\$ 3,838,331	\$ 3,584,364	\$ 3,565,127
Supporting Services	1,989,345	2,156,785	2,122,494
Community Services	4,000	23,724	23,728
Facility Acquisitions	0	96,655	96,654
Transfers and Other Transactions	78,740	84,801	76,827
Total Expenditures and Other Uses	<u>\$ 5,910,416</u>	<u>\$ 5,946,329</u>	<u>\$ 5,884,830</u>

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

**Capital Asset and Debt Administration**

**Capital Assets.** The District's investment in capital assets for its governmental activities as of June 30, 2019, amounted to \$2,514,347 (net of accumulated depreciation). This investment in capital assets includes land and improvements, buildings and improvements, vehicles and equipment.

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

	<u>2019</u>	<u>2018</u>
Land and Improvements	\$ 436,750	\$ 438,500
Buildings and Improvements	1,480,562	1,646,040
Vehicles	301,323	285,000
Equipment	295,712	214,740
Total Capital Assets	<u>\$ 2,514,347</u>	<u>\$ 2,584,280</u>

Additions to capital assets included:

- Gym Seating - \$66,530
- Carpet - \$62,709
- School Bus - \$83,176
- Various Equipment - \$133,065

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

PELLSTON PUBLIC SCHOOLS  
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MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED JUNE 30, 2019

**Long-Term Obligations.** At year-end, the District had total bonded obligations, installment contracts, net pension liability, net other post-employment benefits liability, and accrued compensation outstanding of \$13,835,108, net of bond discounts and premiums.

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

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

We considered many factors when setting the District's 2019-2020 fiscal year budget.

- The District is anticipating a declining enrollment State Aid Membership blend to 492 students this fall, a slight decrease from the 2018-2019 membership blend. Overall, enrollment numbers for the District continue to steadily decline at approximately 2-4% annually, thus impacting the overall district budget. Despite declining enrollment, the District will continue to focus and ensure the provision of high-quality educational programs and opportunities for its students. We will continue to make the assumption that our school will continue to qualify for Isolated District funding.
- The general fund budget was created with the assumption there will be no increase in foundation allowance for 2019-2020. The state budget was not approved before June 30 and there was not consensus on budget items for school funding. In order to be fiscally responsible, the District chose to assume there would be no increases when planning for 2019-2020 spending.
- The District will host three pre-school classrooms in 2019-2020 utilizing the General Fund, Regional Enhancement Millage funds, and Great Start Readiness Program (GSRP) funds. Funding from these sources will continue to allow the District to provide high-quality learning programs for young children both within and outside of district boundaries. The District has observed students from other school districts both within and outside of the ISD attending this high-quality program with families then choosing our district as a School of Choice as the child moves to Kindergarten. Furthermore, local data indicates that students who attend this program are better prepared for rigor in the classroom when they enter kindergarten.
- In the area of employee health insurance, the Board continues to support employee health insurance up to the mandated Hard Cap annually. Any potential balance of the premium and any incurred HSA costs is being paid through employee payroll deduction when applicable.
- For the 2019-2020 fiscal year, the District will be under the leadership of a new superintendent and business manager. The former superintendent retired from the District as planned on June 30. The incoming superintendent and board of education voted to discontinue business services with the Intermediate School District and hire a full-time in-house business manager.
- In an ongoing effort to provide students with vocational opportunities at the high school level, during the 2019-2020 year the District will maintain the following Career and Technical Education Programming: Aviation & Aeronautics Technology (shared program with two other local school districts), Business Management, Construction Trades, Health Occupations and Welding and Brazing.

PELLSTON PUBLIC SCHOOLS  
PELLSTON, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED JUNE 30, 2019

**Request for Information**

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

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PELLSTON PUBLIC SCHOOLS  
PELLSTON, MICHIGAN

STATEMENT OF NET POSITION

JUNE 30, 2019

ASSETS

CURRENT ASSETS

Cash and Cash Equivalents	\$ 696,379
Investments	1,148,109
Accounts Receivable	1,120
Due from Other Governments	398,435
Prepaid Expenses	465
Inventories	31,460

Total Current Assets 2,275,968

NON CURRENT ASSETS

Capital Assets	15,973,793
Less Accumulated Depreciation	<u>(13,459,446)</u>

Total Non Current Assets 2,514,347

TOTAL ASSETS 4,790,315

DEFERRED OUTFLOWS OF RESOURCES

Deferred Outflows of Resources Related to Pensions	2,725,744
Deferred Outflows of Resources Related to Other Postemployment Benefits	405,009
Deferred Charge on Refunding	40,397

TOTAL DEFERRED OUTFLOWS OF RESOURCES 3,171,150

LIABILITIES

CURRENT LIABILITIES

Accounts Payable	35,326
Due to External Parties (Fiduciary Fund)	1,000
Due to Other Governments	34,941
Accrued Expenses	158,850
Accrued Interest	21,621
Salaries Payable	300,625
Unearned Revenue	225,500
Current Portion of Non Current Liabilities	<u>1,061,000</u>

Total Current Liabilities 1,838,863

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

PELLSTON PUBLIC SCHOOLS  
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STATEMENT OF NET POSITION

JUNE 30, 2019

NON CURRENT LIABILITIES

Bonds Payable - Net	3,072,491
Compensated Absences	26,457
Net Pension Liability	8,532,647
Net Other Postemployment Benefits Liability	2,203,513
Less Current Portion of Non Current Liabilities	<u>(1,061,000)</u>

Total Non Current Liabilities 12,774,108

TOTAL LIABILITIES 14,612,971

DEFERRED INFLOWS OF RESOURCES

Deferred Inflows of Resources Related to Pensions	1,546,360
Deferred Inflows of Resources Related to Other Postemployment Benefits	<u>656,104</u>

TOTAL DEFERRED INFLOWS OF RESOURCES 2,202,464

NET POSITION

Net Investment in Capital Assets (Deficit)	(558,144)
Restricted for Debt Service	103,211
Unrestricted (Deficit)	<u>(8,399,037)</u>

TOTAL NET POSITION - (DEFICIT) \$ (8,853,970)

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

PELLSTON PUBLIC SCHOOLS  
PELLSTON, MICHIGAN

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2019

<u>FUNCTIONS/PROGRAMS</u>	<u>EXPENDITURES</u>	<u>PROGRAM REVENUES</u>			<u>GOVERNMENTAL ACTIVITIES NET (EXPENSE) REVENUE AND CHANGES IN NET POSITION</u>
		<u>CHARGES FOR SERVICES</u>	<u>OPERATING GRANTS</u>	<u>CAPITAL GRANTS</u>	
<u>GOVERNMENTAL ACTIVITIES</u>					
Instruction	\$ 3,480,170	\$ 0	\$ 1,241,372	\$ 0	\$ (2,238,798)
Supporting Services	1,700,000	82,506	204,687	0	(1,412,807)
Food Service Activities	442,497	53,645	292,451	13,868	(82,533)
Community Services	23,728	0	22,453	0	(1,275)
Facility Acquisitions	9,839	0	0	0	(9,839)
Interest on Long-Term Debt	170,811	0	23,477	0	(147,334)
Unallocated Depreciation	415,413	0	0	0	(415,413)
<b>TOTAL GOVERNMENTAL ACTIVITIES</b>	<b>\$ 6,242,458</b>	<b>\$ 136,151</b>	<b>\$ 1,784,440</b>	<b>\$ 13,868</b>	<b>(4,307,999)</b>
<u>GENERAL REVENUES</u>					
Property Taxes - Levied for General Purposes					3,132,888
Property Taxes - Levied for Debt Service					1,076,149
Regional Enhancement Millage					340,606
Investment Earnings					26,308
State Sources					877,602
Other					25,102
Total General Revenues					5,478,655
Change in Net Position					1,170,656
<u>NET POSITION</u> - Beginning of Year - (Deficit)					(10,024,626)
<u>NET POSITION</u> - End of Year - (Deficit)					\$ (8,853,970)

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

PELLSTON PUBLIC SCHOOLS

PELLSTON, MICHIGAN

BALANCE SHEET

GOVERNMENTAL FUNDS

JUNE 30, 2019

	2008			
	REFUNDING	OTHER		TOTAL
	DEBT	NONMAJOR		GOVERNMENTAL
	RETIREMENT	GOVERNMENTAL		FUNDS
	FUND	FUND	FUNDS	FUNDS
	GENERAL			
	FUND			
<b><u>ASSETS</u></b>				
Cash and Cash Equivalents	\$ 517,047	\$ 101,129	\$ 78,203	\$ 696,379
Investments	1,148,109	0	0	1,148,109
Accounts Receivable	0	0	1,120	1,120
Due from Other Funds	0	2,600	16,903	19,503
Due from Other Governments	387,799	0	10,636	398,435
Prepaid Expenditures	465	0	0	465
Inventory	22,703	0	8,757	31,460
<b>TOTAL ASSETS</b>	<b>\$ 2,076,123</b>	<b>\$ 103,729</b>	<b>\$ 115,619</b>	<b>\$ 2,295,471</b>
<b><u>LIABILITIES AND FUND BALANCES</u></b>				
<b><u>LIABILITIES</u></b>				
Accounts Payable	\$ 35,326	\$ 0	\$ 0	\$ 35,326
Due to Other Funds	20,503	0	0	20,503
Due to Other Governments	34,941	0	0	34,941
Accrued Expenditures	155,848	0	3,002	158,850
Salaries Payable	297,271	0	3,354	300,625
Unearned Revenue	223,078	0	2,422	225,500
<b>Total Liabilities</b>	<b>766,967</b>	<b>0</b>	<b>8,778</b>	<b>775,745</b>
<b><u>FUND BALANCE</u></b>				
Nonspendable:				
Inventory	22,703	0	8,757	31,460
Prepaid Expenditures	465	0	0	465
Restricted:				
Debt Service	0	103,729	21,103	124,832
Food Service	0	0	76,981	76,981
Committed:				
Facility Improvements	100,000	0	0	100,000
Assigned:				
Field Trips	6,621	0	0	6,621
Subsequent Year Budget Shortfall	18,981	0	0	18,981
Unassigned	1,160,386	0	0	1,160,386
<b>Total Fund Balances</b>	<b>1,309,156</b>	<b>103,729</b>	<b>106,841</b>	<b>1,519,726</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 2,076,123</b>	<b>\$ 103,729</b>	<b>\$ 115,619</b>	<b>\$ 2,295,471</b>

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

PELLSTON PUBLIC SCHOOLS  
PELLSTON, MICHIGAN

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

JUNE 30, 2019

Total Governmental Fund Balances	\$	1,519,726
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets used in governmental activities are not financial resources and are not reported in the funds.		
The cost of the capital assets is	\$	15,973,793
Accumulated depreciation is		<u>(13,459,446)</u>
		2,514,347
Bond discounts and issuance costs for bonds issued are expenditures at the modified accrual fund level, but are capitalized and written off over the life of bonds payable at the district-wide full accrual level.		
Deferred (Gain) Loss on Refunding		40,397
Bond Discount (Premium)		(16,491)
Long-term liabilities are not due and payable in the current period and are not reported in the funds.		
Bonds Payable		(3,056,000)
Compensated Absences		(26,457)
Net Pension Liability		(8,532,647)
Other Postemployment Liability		(2,203,513)
Deferred outflows and (inflows) of resources related to pensions and other postemployment benefits are applicable to future periods and, therefore, are not reported in the funds.		
Deferred Outflows of Resources - Related to Pensions		2,725,744
Deferred Inflows of Resources - Related to Pensions		(1,546,360)
Deferred Outflows of Resources - Related to Other Postemployment Benefits		405,009
Deferred Inflows of Resources - Related to Other Postemployment Benefits		(656,104)
Accrued interest is not included as a liability in governmental funds, it is recorded when paid.		<u>(21,621)</u>
NET POSITION OF GOVERNMENTAL ACTIVITIES	\$	<u><u>(8,853,970)</u></u>

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

PELLSTON PUBLIC SCHOOLS  
PELLSTON, MICHIGAN

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

YEAR ENDED JUNE 30, 2019

	2008 REFUNDING DEBT RETIREMENT FUND	OTHER NONMAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
<u>REVENUES</u>			
Local Sources	\$3,257,061	\$ 898,790	\$ 4,405,245
State Sources	1,800,287	3,052	1,830,143
Federal Sources	227,371	0	517,100
Other Transactions	668,637	0	668,637
 Total Revenues	 5,953,356	 901,842	 7,421,125
<u>EXPENDITURES</u>			
Instruction	3,565,127	0	3,565,127
Supporting Services	2,122,494	0	2,122,494
Community Service	23,728	0	23,728
Food Service Activities	0	0	353,008
Facility Acquisitions	96,654	0	96,654
Debt Service			
Principal	0	785,000	1,026,000
Interest and Fees	0	133,103	170,057
 Total Expenditures	 5,808,003	 918,103	 7,357,068
 Excess (Deficiency) of Revenues Over (Under) Expenditures	 145,353	 (16,261)	 (65,035) 64,057
<u>OTHER FINANCING SOURCES (USES)</u>			
Transfers In	0	0	76,827
Transfers Out	(76,827)	0	(76,827)
 Total Other Financing Sources (Uses)	 (76,827)	 0	 76,827 0
 Net Change in Fund Balance	 68,526	 (16,261)	 11,792 64,057
 <u>FUND BALANCE</u> - Beginning of Year	 1,240,630	 119,990	 95,049 1,455,669
 <u>FUND BALANCE</u> - End of Year	 \$1,309,156	 \$ 103,729	 \$ 106,841 \$ 1,519,726

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

PELLSTON PUBLIC SCHOOLS  
PELLSTON, MICHIGAN

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

YEAR ENDED JUNE 30, 2019

Net Change in Fund Balances Total Governmental Funds \$ 64,057

Amounts reported for governmental activities are different because:

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

Depreciation Expense	(415,413)
Capital Outlay	345,480

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

Accrued Interest Payable - Beginning of Year	27,934
Accrued Interest Payable - End of Year	(21,621)

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

Repayment of Bond Principal	1,026,000
Amortization of Deferred Charges	(7,067)

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

Accumulated Sick Pay - Beginning of Year	3,364
Accumulated Sick Pay - End of Year	(26,457)

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds:

Change in Pension Related Items	68,405
Change in Other Postemployment Benefit Related Items	113,985

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

Change in State Aid Funding for Pension	(8,011)
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CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	<u>\$ 1,170,656</u>
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The notes to the financial statements are an integral part of this statement.

PELLSTON PUBLIC SCHOOLS  
PELLSTON, MICHIGAN

STATEMENT OF FIDUCIARY NET POSITION  
FIDUCIARY FUNDS

JUNE 30, 2019

	<u>AGENCY FUNDS</u>
<u>ASSETS</u>	
Cash and Cash Equivalents	\$ 19,040
Investments	82,777
Due from General Fund	<u>1,000</u>
 TOTAL ASSETS	 <u>102,817</u>
 <u>LIABILITIES</u>	
Accounts Payable	112
Due to Groups and Organizations	<u>102,705</u>
 TOTAL LIABILITIES	 <u>102,817</u>
 <u>NET POSITION</u>	 <u><u>\$ 0</u></u>

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



PELLSTON PUBLIC SCHOOLS  
PELLSTON, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019

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

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

**A. Reporting Entity**

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

**B. Description of Government-Wide Financial Statements**

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

**C. Basis of Presentation – Government-Wide Financial Statements**

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

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

**D. Basis of Presentation – Fund Financial Statements**

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

PELLSTON PUBLIC SCHOOLS  
PELLSTON, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019

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

Other nonmajor funds:

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

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

Additionally, the District reports the following fiduciary fund:

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

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

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

#### **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.

PELLSTON PUBLIC SCHOOLS  
PELLSTON, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019

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

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

PELLSTON PUBLIC SCHOOLS  
PELLSTON, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019

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

- a) In June, the superintendent submits to the school board a proposed operating budget for the fiscal year commencing on July 1.
- b) A public hearing is conducted during June to obtain taxpayer comments.
- c) Prior to June 30, the budget is legally adopted by the School Board resolution pursuant to the Uniform Budgeting and Accounting Act. The Act requires that the budget be amended prior to the end of the fiscal year, when necessary, to adjust appropriations if it appears that revenues and other financial sources will be less than anticipated, or so that expenditures will not be in excess of original estimates. Expenditures shall not be made or incurred, unless authorized in the budget, in excess of the amount appropriated.
- d) The superintendent is charged with general supervision of the budgets and shall hold the department heads responsible for performance of their responsibilities.
- e) For purposes of meeting emergency needs of the school district, transfer of appropriations may be made by the authorization of the superintendent. Such transfers of appropriations must be approved by the Board of Education at its next regularly scheduled meeting.
- f) During the year the budgets are monitored and amendments to the budget resolution are made when it is deemed necessary.
- g) Budgeted amounts are as originally adopted on June 25, 2018, or as amended by the School Board of Education throughout the year.

**2. *Excess of Expenditures Over Appropriations***

	<u>APPROPRIATIONS</u>	<u>EXPENDITURES</u>
Supporting Services		
Pupil	\$ 123,236	\$ 126,502
Community Services	23,724	23,728

These overages were covered by 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.

PELLSTON PUBLIC SCHOOLS  
PELLSTON, 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 duration the rate of return is fixed, and the District intends to hold the investment until maturity.

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

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

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

**3. *Inventory and Prepaid Items***

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

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. 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 two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation.

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

PELLSTON PUBLIC SCHOOLS  
PELLSTON, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019

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

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

**5. *Unearned Revenue***

Unearned revenue arises when resources are received by the District before it has a legal claim to them. In subsequent periods, when both revenue recognition criteria are met, or when the government has a legal claim to the resources, revenue is recognized. The District has unearned revenue in the General Fund that is related to state and local grants/donations, with restriction on how they can be spent. The funds have been received but as of the year-end have not been spent. The District also has unearned revenue in the Food Service Fund that is related to money received from students for meals in advance.

**6. *Compensated Absences***

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

**7. *Long-Term Obligations***

In the government-wide financial statements, long-term 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 obligation.

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

**8. *Deferred Outflows/Inflows of Resources***

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District has three items that qualify for reporting in this category. They are the deferred charge on refunding, pension and other

PELLSTON PUBLIC SCHOOLS  
PELLSTON, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019

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

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. The separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District has two items that qualify for reporting in this category. They are future resources yet to be recognized in relation to the pension and other postemployment benefit actuarial calculation. These future resources arise from differences in the estimates used by the actuary to calculate the pension and other postemployment benefit liability and the actual results. Details can be found in footnote 3.E and 3.F.

**9. *Defined Benefit Plans***

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

**10. *Net Position Flow Assumption***

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

**11. *Fund Balance Flow Assumption***

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

PELLSTON PUBLIC SCHOOLS  
PELLSTON, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019

**12. Fund Balance Policies**

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

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

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

**13. Use of Estimates**

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

**H. Revenues and Expenditures/Expenses**

**1. State Revenue**

The State of Michigan utilizes a foundation grant approach which provides for a specific annual amount of revenue per pupil based on a statewide formula. The Foundation is funded from state and local sources. Revenues from state sources are primarily governed by the School Aid Act and the School Code of Michigan. The Michigan Department of Education administers the allocation of state funds to school districts based on information supplied by the districts. For the year ended June 30, 2019 the foundation allowance was based on pupil membership counts taken in October 2018 and February 2018.

For fiscal year ended June 30, 2019, the per pupil foundation allowance was \$7,871 for Pellston Public Schools.

The state portion of the foundation is provided primarily by a state education property tax millage of 6 mills and an allocated portion of state sales and other taxes. The local portion of the foundation is



PELLSTON PUBLIC SCHOOLS  
PELLSTON, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
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funded primarily by non-homestead property taxes, which may be levied at a rate of up to 18 mills. The State revenue is recognized during the foundation period and is funded through payments from October 2018 to August 2019. Thus, the unpaid portion at June 30th is reported as due from other governmental units.

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

**2. Program Revenues**

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

**3. Property Taxes**

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

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

<u>Fund</u>	<u>Mills</u>
General Fund - Non-Homestead	18.0000
General Fund - Non-Homestead Commercial PPT	6.0000
Debt Service Fund - Homestead and Non-Homestead	3.3740

**NOTES 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

**A. Violations of Legal or Contractual Provisions**

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

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**NOTE 3 – DETAILED NOTES ON ALL ACTIVITIES AND FUNDS**

**A. Deposits and Investments**

*Custodial credit risk – deposits.* In the case of deposits, this is the risk that in the event of a bank failure, the District’s deposits may not be returned to it. As of June 30, 2019, \$393,975 of the District’s bank balance of \$765,692, was exposed to custodial credit risk because it was uninsured and uncollateralized. The risk is spread amongst the District’s Funds. Although the District’s investment policy does not directly address custodial credit risk, it typically limits its exposure by purchasing insured or registered investments or by controlling who holds the deposits.

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

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

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

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

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

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 - MIMAX	\$ 1,230,886	0.0027	AAAm	100.00%
Portfolio Weighted Average Maturity		0.0027		

1 Day Maturity Equals 0.0027, One Year Equals 1.000

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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.

**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.

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The carrying amount of deposits and investments is as follows:

	Total
Deposits – including Fiduciary Funds of \$19,040	\$ 715,419
Investments - including Fiduciary Funds of \$82,777	1,230,886
	\$ 1,946,305

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

	Total
Cash - Fiduciary Funds	\$ 19,040
Cash - District-Wide	696,379
Investments - Fiduciary Funds	82,777
Investments - District-Wide	1,148,109
	\$ 1,946,305

**B. Receivables**

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

	General	Nonmajor and Other Funds	Total
Receivables			
Accounts	\$ 0	\$ 1,120	\$ 1,120
Due from Other Governments	387,799	10,636	398,435
Total Receivables	\$ 387,799	\$ 11,756	\$ 399,555

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.

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**C. Capital Assets**

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

	Balance July 1, 2018	Additions	Deletions	Balance June 30, 2019
Capital Assets not Being Depreciated:				
Land	\$ 435,000	\$ 0	\$ 0	\$ 435,000
Capital Assets Being Depreciated				
Land Improvements	75,000	0	0	75,000
Buildings and Improvements	12,811,225	129,239	0	12,940,464
Vehicles	631,241	83,176	0	714,417
Equipment	1,675,847	133,065	0	1,808,912
Subtotal	15,193,313	345,480	0	15,538,793
Less Accumulated Depreciation for:				
Land Improvements	(71,500)	(1,750)	0	(73,250)
Buildings and Improvements	(11,165,185)	(294,717)	0	(11,459,902)
Vehicles	(346,241)	(66,853)	0	(413,094)
Equipment	(1,461,107)	(52,093)	0	(1,513,200)
Total Accumulated Depreciation	(13,044,033)	(415,413)	0	(13,459,446)
Total Capital Assets Being Depreciated, Net	2,149,280	(69,933)	0	2,079,347
Capital Assets, Net	\$ 2,584,280	\$ (69,933)	\$ 0	\$ 2,514,347

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

Governmental Activities	
Unallocated	<u>\$ 415,413</u>

**D. Retirement and Postemployment 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

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board's authority to promulgate or amend the provisions of the System. MPSERS issues a publicly available Comprehensive Annual Financial Report that can be obtained at [www://michigan.gov/mpsers-cafr](http://www://michigan.gov/mpsers-cafr).

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:

<b><u>Plan Name</u></b>	<b><u>Plan Type</u></b>	<b><u>Plan Status</u></b>
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%.

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***Pension Reform 2010***

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

***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.

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

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



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members), have a graded premium subsidy based on career length where they accrue credit towards their insurance premiums in retirement, not to exceed the maximum allowable by statute. Public Act 300 of 2012 sets the maximum subsidy at 80% beginning January 1, 2013; 90% for those Medicare eligible and enrolled in the insurances as of that date.

***Retiree Healthcare Reform of 2012***

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

Under Public Act 300 of 2012, members were given the choice between continuing the 3% contribution 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 60<sup>th</sup> 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.

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

For retirement and OPEB benefits, the unfunded (overfunded) actuarial accrued liability as of September 30, 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 \$769,996, with \$753,146 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 \$203,075, with \$190,506 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 \$8,532,647 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 .02838368% and .02966010%.

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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 \$684,741.

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	\$ 39,593	\$ 62,005
Section 147c revenue related to District Pension contributions subsequent to measurement date	0	306,874
Changes of assumptions	1,976,154	0
Net difference between projected and actual earnings on pension plan investments	0	583,416
Changes in proportion and differences between District contributions and proportionate share of contributions	8	594,065
District contributions subsequent to the measurement date	709,989	0
<b>Total</b>	<u>\$ 2,725,744</u>	<u>\$ 1,546,360</u>

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\$709,989 reported as deferred outflows of resources and \$306,874 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	\$ 270,016
2020	255,542
2021	174,168
2022	76,543
	<u>\$ 776,269</u>

**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 \$2,203,513 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 0.0277208% and 0.0297324%.

**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
OPEB Liability	\$ 7,948,951,791	\$ 8,855,471,043
 Plan Fiduciary Net Position as a Percentage of Total OPEB Liability	42.95%	36.39%
 Net OPEB Liability as a Percentage of Covered Payroll	93.29%	105.64%

**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 \$76,521.

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

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 0	\$ 410,130
Changes of assumptions	233,353	0
Net difference between projected and actual earnings on OPEB plan investments	0	84,686
Changes in proportion and differences between District contributions and proportionate share of contributions	0	161,288
District contributions subsequent to the measurement date	171,656	0
<b>Total</b>	<b>\$ 405,009</b>	<b>\$ 656,104</b>

\$171,656 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:

<b>Year Ended September 30,</b>	<b>Amount</b>
2019	\$ (99,821)
2020	(99,821)
2021	(99,821)
2022	(82,107)
2023	(41,181)
	<b>\$ (422,751)</b>

**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).

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**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 Morality 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 Morality 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.

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

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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 are 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 project to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

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

The following presents the District's proportionate share of the net pension liability, calculated using the discount rate of 7.05% (7.0% for the Pension Plus Plan and 6.00% for the Pension Plus 2 Plan), as well as

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NOTES TO FINANCIAL STATEMENTS  
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what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

1% Decrease	Discount Rate	1% Increase
\$ 11,202,706	\$ 8,532,647	\$ 6,314,261

***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:

1% Decrease	Discount Rate	1% Increase
\$ 2,645,273	\$ 2,303,513	\$ 1,831,939

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

The following presents the Reporting Unit's proportionate share of the net other postemployment benefit liability calculated using the healthcare cost trend rate of 7.5% (decreasing to 3.0%), 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:

1% Trend Decrease	Healthcare Cost Trend Rates	1% Trend Increase
\$ 1,812,365	\$ 2,203,513	\$ 2,652,239

**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.

**I. Payables to the Pension and OPEB Plan**

As of June 30, 2019, the District is current on all required pension and OPEB plan payments. As of June 30, 2019, the District reported payables in the amount of \$135,566 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).



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**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**

A summary of long-term debt and transactions related thereto is as follows for the year ended June 30, 2019:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>(Reductions)</u>	<u>Ending Balance</u>	<u>Amount Due Within One Year</u>
2010 Energy Conservation Improvement QZAB Bond due through May 2020 in semi-annual installments of interest and annual principal payments of \$71,000 and interest rate of 6.0%.	\$ 142,000	\$ 0	\$ 71,000	\$ 71,000	\$ 71,000
2011 School Improvement QZAB bond due through November 2024 in annual installments of \$60,000 - \$65,000 beginning in 2020 and interest paid annually with rates ranging from 5.8% to 6.375%.	315,000	0	0	315,000	0
2008 Refunding Bonds, due through May 2022 in semi-annual installments of interest and annual principal payments varying from \$810,000 - \$850,000 with interest rates ranging from 4% to 4.2%.	3,275,000	0	785,000	2,490,000	810,000

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NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019

	<u>Beginning Balance</u>	<u>Additions</u>	<u>(Reductions)</u>	<u>Ending Balance</u>	<u>Amount Due Within One Year</u>
2012 School Technology and Equipment Bonds, due through May 2020 in semi-annual installments of interest and annual principal payments of \$180,000 with interest rates of 2.25%.	350,000	0	170,000	180,000	180,000
Compensated Absences	3,564	26,457	3,564	26,457	Unknown
Net Pension Liability	7,686,193	1,619,348	772,894	8,532,647	Unknown
Net OPEB Liability	2,632,943	179,935	609,365	2,203,513	Unknown
<b>Total Long-Term Debt</b>	<u>\$ 14,404,700</u>	<u>\$ 1,825,740</u>	<u>\$ 2,411,823</u>	<u>\$ 13,818,617</u>	<u>\$ 1,061,000</u>

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

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Amounts Payable</u>
2020	\$ 1,061,000	\$ 129,724	\$ 1,190,724
2021	890,000	87,274	977,274
2022	910,000	49,703	959,703
2023	65,000	10,188	75,188
2024	65,000	6,158	71,158
2025	65,000	2,072	67,072
	<u>\$ 3,056,000</u>	<u>\$ 285,119</u>	<u>\$ 3,341,119</u>

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

**L. Interfund Receivables and Payables**

	<u>INTERFUND RECEIVABLES</u>	<u>INTERFUND PAYABLES</u>
General Fund	\$ 0	\$ 20,503
2008 Refunding Debt Retirement Fund	2,600	0
School Service Fund - Food Service	16,388	0
2012 School Technology and Equipment Fund	515	0
Fiduciary Fund	1,000	0
	<u>\$ 20,503</u>	<u>\$ 20,503</u>

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NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019

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**

	TRANSFERS IN	TRANSFERS OUT
General Fund	\$ 0	\$ 76,827
Debt Retirement Fund - 2010 QZAB Bonds	73,124	0
Debt Retirement Fund - 2011 QZAB Bonds	3,703	0
	<hr/> \$ 76,827	<hr/> \$ 76,827

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

**N. Related Party Transactions**

The District paid for repair and maintenance services to a business owned by the superintendent's relative totaling \$40,081 for the year. In the opinion of management, such transactions were on substantially the same terms as those prevailing at the time of comparable transactions with other persons and did not present any other unfavorable features to the District.

**O. Other Information**

*1. Commitments and Contingencies*

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

**NOTE 4 – UPCOMING ACCOUNTING PRONOUNCEMENTS**

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

Governmental Account Standards Board (GASB) Statement No. 84, *Fiduciary Activities*, was issued by the GASB in January 2017 and will be effective for the District's 2020 fiscal year-end. The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This Statement establishes criteria for

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NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019

identifying fiduciary activities for all state and local governments. The focus on the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. An activity meeting the criteria should be reported in a fiduciary fund in the basic financial statements. Districts with activities meeting the criteria should present a statement of fiduciary net position and a statement of changes in fiduciary net position.

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

PELLSTON PUBLIC SCHOOLS

PELLSTON, MICHIGAN

REQUIRED SUPPLEMENTARY INFORMATION

BUDGETARY COMPARISON SCHEDULE

GENERAL FUND

YEAR ENDED JUNE 30, 2019

	<u>ORIGINAL</u> <u>BUDGET</u>	<u>FINAL</u> <u>BUDGET</u>	<u>ACTUAL</u>
<u>REVENUES</u>			
Local Sources	\$ 3,239,875	\$ 3,254,223	\$ 3,257,061
State Sources	1,817,912	1,811,350	1,800,287
Federal Sources	178,825	232,214	227,371
Other Transactions	732,067	670,142	668,637
Total Revenues	<u>5,968,679</u>	<u>5,967,929</u>	<u>5,953,356</u>
<u>EXPENDITURES</u>			
Instruction			
Basic Programs	2,747,234	2,706,001	2,698,792
Added Needs	1,091,097	878,363	866,335
Supporting Services			
Pupil	115,975	123,236	126,502
Instructional Staff	45,244	95,093	94,743
General Administration	276,534	270,743	267,819
School Administration	290,464	289,999	285,214
Business	84,330	85,123	85,123
Operating and Maintenance	550,053	548,305	527,476
Pupil Transportation	381,376	389,721	384,983
Support Services Central	81,900	87,640	86,376
Other Support Services	163,469	266,925	264,258
Community Services	4,000	23,724	23,728
Facility Acquisitions	0	96,655	96,654
Total Expenditures	<u>5,831,676</u>	<u>5,861,528</u>	<u>5,808,003</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	137,003	106,401	145,353
<u>OTHER FINANCING SOURCES (USES)</u>			
Transfers Out	(78,740)	(84,801)	(76,827)
Net Change in Fund Balance	58,263	21,600	68,526
<u>FUND BALANCE</u> - Beginning of Year	<u>1,262,361</u>	<u>1,240,630</u>	<u>1,240,630</u>
<u>FUND BALANCE</u> - End of Year	<u>\$ 1,320,624</u>	<u>\$ 1,262,230</u>	<u>\$ 1,309,156</u>

PELLSTON PUBLIC SCHOOLS  
PELLSTON, MICHIGAN

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

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
District's proportion of net pension liability (%)						0.02838368%	0.02966010%	0.03098292%	0.03126236%	0.03468%
District's proportionate share of net pension liability						\$ 8,532,647	\$ 7,686,193	\$ 7,729,985	\$ 7,635,840	\$ 7,638,166
District's covered payroll						2,349,772	2,432,413	2,624,060	2,611,091	2,946,069
District's proportionate share of net pension liability as a percentage of its covered payroll						363.13%	315.99%	294.58%	292.44%	259.27%
Plan fiduciary net position as a percentage of total pension liability						62.36%	64.21%	63.27%	63.17%	66.20%

PELLSTON PUBLIC SCHOOLS  
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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
Statutorily required contributions						\$ 753,146	\$ 718,021	\$ 725,822	\$ 706,340	\$ 602,078
Contributions in relation to statutorily required contributions *						753,146	718,021	725,822	706,340	602,078
Contribution deficiency (excess)						\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Covered payroll						\$ 2,494,887	\$ 2,358,653	\$ 2,487,953	\$ 2,551,205	\$ 2,659,133
Contributions as a percentage of covered payroll						30.19%	30.44%	29.17%	27.69%	22.64%

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

PELLSTON PUBLIC SCHOOLS  
PELLSTON, MICHIGAN

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

	2026	2025	2024	2023	2022	2021	2020	2019	2018	2017
District's proportion of net OPEB liability (%)									0.02772080%	0.02973239%
District's proportionate share of net OPEB liability									\$ 2,203,513	\$ 2,632,943
District's covered payroll									2,349,772	2,432,413
District's proportionate share of net OPEB liability as a percentage of its covered payroll									93.78%	108.24%
Plan fiduciary net position as a percentage of total OPEB liability									42.95%	36.39%



PELLSTON PUBLIC SCHOOLS  
PELLSTON, MICHIGAN

REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF OTHER POSTEMPLOYMENT BENEFIT CONTRIBUTIONS  
MICHIGAN PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM  
LAST 10 FISCAL YEARS (AMOUNTS WERE DETERMINED AS OF 6/30 OF EACH FISCAL YEAR)  
JUNE 30, 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									\$ 190,506	\$ 168,175
Contributions in relation to statutorily required contributions *									190,506	168,175
Contribution deficiency (excess)									\$ 0	\$ 0
Covered payroll									\$ 2,494,887	\$ 2,358,653
Contributions as a percentage of covered payroll									7.64%	7.13%

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

PELLSTON PUBLIC SCHOOLS  
PELLSTON, MICHIGAN

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

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

JUNE 30, 2019

	SPECIAL REVENUE FUND	DEBT SERVICE FUNDS			TOTAL NONMAJOR GOVERNMENTAL FUNDS
	FOOD SERVICE FUND	2012 SCHOOL TECHNOLOGY AND EQUIPMENT	2010 QZAB BONDS	2011 QZAB BONDS	
<u>ASSETS</u>					
Cash	\$ 57,615	\$ 20,588	\$ 0	\$ 0	\$ 78,203
Accounts Receivable	1,120	0	0	0	1,120
Due from Other Funds	16,388	515	0	0	16,903
Due from Other Governments	10,636	0	0	0	10,636
Inventory	8,757	0	0	0	8,757
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
TOTAL ASSETS	\$ 94,516	\$ 21,103	\$ 0	\$ 0	\$ 115,619
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
<u>LIABILITIES AND FUND BALANCE</u>					
<u>LIABILITIES</u>					
Accrued Expenditures	\$ 3,002	\$ 0	\$ 0	\$ 0	\$ 3,002
Salaries Payable	3,354	0	0	0	3,354
Unearned Revenue	2,422	0	0	0	2,422
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total Liabilities	8,778	0	0	0	8,778
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
<u>FUND BALANCE</u>					
Nonspendable:					
Inventory	8,757	0	0	0	8,757
Restricted:					
Debt Service	0	21,103	0	0	21,103
Food Service	76,981	0	0	0	76,981
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total Fund Balance	85,738	21,103	0	0	106,841
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
TOTAL LIABILITIES AND FUND BALANCE	\$ 94,516	\$ 21,103	\$ 0	\$ 0	\$ 115,619
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

PELLSTON PUBLIC SCHOOLS  
PELLSTON, MICHIGAN

NONMAJOR GOVERNMENTAL FUNDS

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

YEAR ENDED JUNE 30, 2019

	SPECIAL REVENUE FUND	DEBT SERVICE FUNDS			TOTAL NONMAJOR GOVERNMENTAL FUNDS
	FOOD SERVICE FUND	2012 SCHOOL TECHNOLOGY AND EQUIPMENT	2010 QZAB BONDS	2011 QZAB BONDS	
<u>REVENUES</u>					
Local Sources	\$ 71,300	\$ 178,094	\$ 0	\$ 0	\$ 249,394
State Sources	26,199	605	0	0	26,804
Federal Sources	266,252	0	7,496	15,981	289,729
Total Revenues	<u>363,751</u>	<u>178,699</u>	<u>7,496</u>	<u>15,981</u>	<u>565,927</u>
<u>EXPENDITURES</u>					
Food Service Activities					
Salaries	87,324	0	0	0	87,324
Employees Benefits	55,628	0	0	0	55,628
Purchased Services	9,783	0	0	0	9,783
Supplies, Materials and Other	170,970	0	0	0	170,970
Capital Outlay	29,303	0	0	0	29,303
Debt Service					
Principal	0	170,000	71,000	0	241,000
Interest and Fees	0	7,650	9,620	19,684	36,954
Total Expenditures	<u>353,008</u>	<u>177,650</u>	<u>80,620</u>	<u>19,684</u>	<u>630,962</u>
Excess of Revenues Over (Under) Expenditures	10,743	1,049	(73,124)	(3,703)	(65,035)
<u>OTHER FINANCING SOURCES (USES)</u>					
Transfers In/ (Out)	0	0	73,124	3,703	76,827
Net Change in Fund Balance	10,743	1,049	0	0	11,792
<u>FUND BALANCE</u> - Beginning of Year	<u>74,995</u>	<u>20,054</u>	<u>0</u>	<u>0</u>	<u>95,049</u>
<u>FUND BALANCE</u> - End of Year	<u>\$ 85,738</u>	<u>\$ 21,103</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 106,841</u>

PELLSTON PUBLIC SCHOOLS  
PELLSTON, MICHIGAN

GENERAL FUND

BALANCE SHEET  
JUNE 30, 2019

WITH COMPARATIVE TOTALS FOR JUNE 30, 2018

	<u>2019</u>	<u>2018</u>
<u>ASSETS</u>		
Cash and Cash Equivalents	\$ 517,047	\$ 131,833
Investments	1,148,109	1,523,104
Due from Other Governments	387,799	324,322
Prepaid Expenditures	465	25,135
Inventory	22,703	23,185
	<hr/>	<hr/>
TOTAL ASSETS	<u>\$ 2,076,123</u>	<u>\$ 2,027,579</u>
 <u>LIABILITIES AND FUND BALANCE</u>		
<u>LIABILITIES</u>		
Accounts Payable	\$ 35,326	\$ 48,680
Due to Other Funds	20,503	29,411
Due to Other Governments	34,941	45,774
Unearned Revenue	223,078	224,097
Accrued Expenditures	155,848	163,078
Salaries Payable	297,271	275,909
	<hr/>	<hr/>
Total Liabilities	<u>766,967</u>	<u>786,949</u>
 <u>FUND BALANCE</u>		
Nonspendable:		
Inventory	22,703	23,185
Prepaid Expenditures	465	25,135
Committed:		
Facility Improvements	100,000	100,000
Assigned:		
Field Trips	6,942	6,621
Subsequent Year Budget Shortfall	18,981	0
Unassigned	1,160,065	1,085,689
	<hr/>	<hr/>
Total Fund Balance	<u>1,309,156</u>	<u>1,240,630</u>
	<hr/>	<hr/>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 2,076,123</u>	<u>\$ 2,027,579</u>

PELLSTON PUBLIC SCHOOLS  
PELLSTON, MICHIGAN

GENERAL FUND

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

YEAR ENDED JUNE 30, 2019

WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2018

	2019	2018
<u>REVENUES</u>		
Local Sources	\$ 3,257,061	\$ 3,148,270
State Sources	1,800,287	1,947,245
Federal Sources	227,371	226,098
Other Transactions	668,637	319,888
	5,953,356	5,641,501
 <u>EXPENDITURES</u>		
Instruction		
Basic Programs		
Elementary	1,242,491	1,162,229
Middle/High School	1,171,985	1,182,124
Pre-School	276,462	176,601
Summer School	7,854	0
Added Needs		
Special Education	383,139	389,156
Compensatory Education	285,437	299,853
Career and Technical Education	197,759	181,483
Supporting Services		
Pupil		
Guidance Services	85,666	99,889
Social Work Services	27,795	77,389
Other Pupil Services	13,041	28,790
Instructional Staff		
Improvement of Instruction	35,239	65,664
Educational Media Services	45,846	29,087
Technology Assisted Instruction	1,188	0
Supervision and Direction of Instructional Staff	9,650	4,719
Academic Student Assessment	2,820	0
General Administration		
Board of Education	29,327	28,500
Executive Administration	238,492	239,807
School Administration		
Office of the Principal	285,214	284,487
Other School Administration	0	806

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PELLSTON, MICHIGAN

GENERAL FUND

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

YEAR ENDED JUNE 30, 2019

WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2018

	2019	2018
Business		
Fiscal Services	70,226	68,899
Other Business Services	14,897	14,841
Operation and Maintenance of Plant		
Operating Building Services	524,961	532,152
Security Services	2,515	0
Pupil Transportation Services	384,983	289,127
Support Services Central		
Staff/Personnel Services	4,246	2,499
Information Management Services	82,130	85,616
Other Support Services	264,258	139,571
Community Services		
Community Activities	23,728	2,690
Facility Acquisitions		
Building Improvements	96,654	0
	5,808,003	5,385,979
Total Expenditures		
Excess of Revenues Over (Under) Expenditures	145,353	255,522
<u>OTHER FINANCING SOURCES (USES)</u>		
Transfers Out	(76,827)	(77,441)
Net Change in Fund Balance	68,526	178,081
<u>FUND BALANCE</u> - Beginning of Year	1,240,630	1,062,549
<u>FUND BALANCE</u> - End of Year	\$ 1,309,156	\$ 1,240,630

PELLSTON PUBLIC SCHOOLS  
PELLSTON , MICHIGAN

GENERAL FUND  
ANALYSIS OF REVENUES AND OTHER FINANCING SOURCES

YEAR ENDED JUNE 30, 2019

WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2018

	<u>2019</u>	<u>2018</u>
<u>LOCAL SOURCES</u>		
Property Taxes	\$ 3,132,888	\$ 3,006,210
Charges for Services	27,085	23,129
Earnings on Investments and Deposits	25,550	22,747
Other Local Revenue	71,538	96,184
	<hr/>	<hr/>
Total Local Sources	3,257,061	3,148,270
	<hr/>	<hr/>
<u>STATE SOURCES</u>		
State Aid	1,455,897	1,576,050
Other State Revenue	344,390	371,195
	<hr/>	<hr/>
Total State Sources	1,800,287	1,947,245
	<hr/>	<hr/>
<u>FEDERAL SOURCES</u>		
Title I	133,602	187,881
Title II - Part A	52,204	20,065
Title IV	18,121	0
Title V	5,889	1,925
Title VII - Indian Education	17,291	15,388
Other	264	839
	<hr/>	<hr/>
Total Federal Sources	227,371	226,098
	<hr/>	<hr/>
<u>OTHER TRANSACTIONS</u>		
Char-Em ISD	656,574	313,933
Other	12,063	5,955
	<hr/>	<hr/>
Total Other Transactions	668,637	319,888
	<hr/>	<hr/>
TOTAL REVENUES	<u>\$ 5,953,356</u>	<u>\$ 5,641,501</u>



PELLSTON PUBLIC SCHOOLS  
PELLSTON, MICHIGAN

GENERAL FUND  
ANALYSIS OF EXPENDITURES AND OTHER FINANCING USES

YEAR ENDED JUNE 30, 2019

WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2018

	<u>2019</u>	<u>2018</u>
<u>INSTRUCTION</u>		
<u>Basic Programs</u>		
<u>Elementary</u>		
Salaries	\$ 704,441	\$ 632,828
Employee Benefits	519,679	483,191
Purchased Services	13,784	18,684
Supplies, Materials and Other	4,587	27,526
Total Elementary	<u>1,242,491</u>	<u>1,162,229</u>
<u>Middle/High School</u>		
Salaries	614,872	598,481
Employee Benefits	481,099	479,356
Purchased Services	28,859	18,552
Supplies, Materials and Other	16,150	43,407
Payments to Other School Districts	31,005	42,328
Total High School	<u>1,171,985</u>	<u>1,182,124</u>
<u>Pre-School</u>		
Salaries	164,308	100,825
Employee Benefits	90,447	55,945
Purchased Services	8,225	3,816
Supplies, Materials and Other	13,482	16,015
Total Pre-School	<u>276,462</u>	<u>176,601</u>
<u>Summer School</u>		
Salaries	5,855	0
Employee Benefits	1,999	0
Total Pre-School	<u>7,854</u>	<u>0</u>

PELLSTON PUBLIC SCHOOLS  
PELLSTON, MICHIGAN

GENERAL FUND  
ANALYSIS OF EXPENDITURES AND OTHER FINANCING USES

YEAR ENDED JUNE 30, 2019

WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2018

	<u>2019</u>	<u>2018</u>
<u>Added Needs</u>		
<u>Special Education</u>		
Salaries	213,110	209,310
Employee Benefits	150,200	155,396
Purchased Services	19,316	20,305
Supplies, Materials and Other	513	4,145
Total Special Education	<u>383,139</u>	<u>389,156</u>
 <u>Compensatory Education</u>		
Salaries	158,076	148,288
Employee Benefits	97,808	87,531
Purchased Services	16,575	43,634
Supplies, Materials and Other	12,978	20,400
Total Compensatory Education	<u>285,437</u>	<u>299,853</u>
 <u>Career and Technical Education</u>		
Salaries	46,141	42,401
Employee Benefits	31,875	33,500
Purchased Services	26,045	35,287
Supplies, Materials and Other	93,698	70,295
Total Career and Technical Education	<u>197,759</u>	<u>181,483</u>
 <u>SUPPORTING SERVICES</u>		
<u>Pupil</u>		
<u>Guidance Services</u>		
Salaries	46,340	61,260
Employee Benefits	31,184	38,237
Purchased Services	7,500	342
Supplies, Materials and Other	642	50
Total Guidance Services	<u>85,666</u>	<u>99,889</u>

PELLSTON PUBLIC SCHOOLS  
PELLSTON, MICHIGAN

GENERAL FUND  
ANALYSIS OF EXPENDITURES AND OTHER FINANCING USES

YEAR ENDED JUNE 30, 2019

WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2018

	<u>2019</u>	<u>2018</u>
<u>Social Work Services</u>		
Salaries	0	46,455
Employee Benefits	5,879	30,934
Purchased Services	21,830	0
Supplies, Materials and Other	86	0
Total Social Work Services	27,795	77,389
 <u>Other Pupil Services</u>		
Salaries	7,931	15,782
Employee Benefits	4,267	7,567
Purchased Services	843	5,441
Total Other Pupil Services	13,041	28,790
 <u>Instructional Staff</u>		
<u>Improvement of Instruction</u>		
Salaries	15,237	28,099
Employee Benefits	7,186	5,732
Purchased Services	4,659	23,577
Supplies, Materials and Other	3,332	5,256
Payments to Other School Districts	4,825	3,000
Total Improvement of Instruction	35,239	65,664
 <u>Educational Media Services</u>		
Salaries	21,932	814
Employee Benefits	7,918	276
Purchased Services	2,661	5,079
Supplies, Materials and Other	13,335	22,918
Total Educational Media Services	45,846	29,087
 <u>Technology Assisted Instruction</u>		
Purchased Services	1,188	0
Total Supervision and Direction of Instructional Staff	1,188	0

PELLSTON PUBLIC SCHOOLS  
PELLSTON, MICHIGAN

GENERAL FUND  
ANALYSIS OF EXPENDITURES AND OTHER FINANCING USES

YEAR ENDED JUNE 30, 2019

WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2018

	2019	2018
<u>Supervision and Direction of Instructional Staff</u>		
Salaries	5,000	3,500
Employee Benefits	4,650	1,219
Total Supervision and Direction of Instructional Staff	9,650	4,719
 <u>Academic Student Assessment</u>		
Purchased Services	2,820	0
Total Supervision and Direction of Instructional Staff	2,820	0
 <u>General Administration</u>		
<u>Board of Education</u>		
Salaries	3,304	2,670
Employee Benefits	230	204
Purchased Services	25,793	25,626
Total Board of Education	29,327	28,500
 <u>Executive Administration</u>		
Salaries	131,218	137,519
Employee Benefits	99,235	94,483
Purchased Services	1,538	1,324
Supplies, Materials and Other	6,501	6,481
Total Executive Administration	238,492	239,807
 <u>School Administration</u>		
<u>Office of the Principal</u>		
Salaries	164,056	157,058
Employee Benefits	98,762	105,582
Purchased Services	20,479	19,875
Supplies, Materials and Other	1,917	1,972
Total Office of the Principal	285,214	284,487
 <u>Other School Administration</u>		
Supplies, Materials and Other	0	806
Total Other School Administration	0	806

PELLSTON PUBLIC SCHOOLS  
PELLSTON, MICHIGAN

GENERAL FUND  
ANALYSIS OF EXPENDITURES AND OTHER FINANCING USES

YEAR ENDED JUNE 30, 2019

WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2018

	<u>2019</u>	<u>2018</u>
<u>Business</u>		
<u>Fiscal Services</u>		
Purchased Services	70,176	68,800
Supplies, Materials and Other	50	99
Total Fiscal Services	<u>70,226</u>	<u>68,899</u>
<u>Other Business Services</u>		
Purchased Services	14,897	0
Supplies, Materials and Other	0	14,841
Total Other Business Services	<u>14,897</u>	<u>14,841</u>
<u>Operation and Maintenance</u>		
<u>Operating Building Services</u>		
Salaries	6,584	0
Employee Benefits	2,686	0
Purchased Services	323,705	305,924
Supplies, Materials and Other	186,848	178,467
Capital Outlay	5,138	47,761
Total Operating Building Services	<u>524,961</u>	<u>532,152</u>
<u>Security Services</u>		
Capital Outlay	2,515	0
Total Other Business Services	<u>2,515</u>	<u>0</u>
<u>Pupil Transportation Services</u>		
Salaries	139,904	132,441
Employee Benefits	72,538	77,295
Purchased Services	18,913	15,612
Supplies, Materials and Other	60,156	55,994
Capital Outlay	93,472	7,785
Total Pupil Transportation Services	<u>384,983</u>	<u>289,127</u>

PELLSTON PUBLIC SCHOOLS  
PELLSTON, MICHIGAN

GENERAL FUND  
ANALYSIS OF EXPENDITURES AND OTHER FINANCING USES

YEAR ENDED JUNE 30, 2019

WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2018

	<u>2019</u>	<u>2018</u>
<u>Support Services-Central</u>		
<u>Staff/Personnel Services</u>		
Purchased Services	4,246	2,370
Supplies, Materials and Other	0	129
Total Staff/Personnel Services	4,246	2,499
<u>Information Management Services</u>		
Purchased Services	20,500	63,034
Supplies, Materials and Other	4,213	10,162
Capital Outlay	14,717	12,420
Payments to Other School Districts	42,700	0
Total Information Management Services	82,130	85,616
<u>Other Support Services</u>		
Salaries	28,037	22,084
Employee Benefits	19,849	18,671
Purchased Services	80,413	75,319
Supplies, Materials and Other	49,723	18,512
Capital Outlay	86,236	4,985
Total Other Support Services	264,258	139,571
 <u>COMMUNITY SERVICES</u>		
<u>Community Activities</u>		
Salaries	956	0
Employee Benefits	320	0
Purchased Services	18,987	0
Supplies, Materials and Other	3,465	2,690
Total Community Recreation	23,728	2,690
 <u>FACILITY ACQUISITIONS</u>		
<u>Building Improvements</u>		
Capital Outlay	96,654	0
Total Building Improvements	96,654	0

PELLSTON PUBLIC SCHOOLS  
PELLSTON, MICHIGAN

GENERAL FUND  
ANALYSIS OF EXPENDITURES AND OTHER FINANCING USES

YEAR ENDED JUNE 30, 2019

WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2018

Total Expenditures	<u>2019</u> <u>5,808,003</u>	<u>2018</u> <u>5,385,979</u>
<u>OTHER FINANCING USES</u>		
<u>Operating Transfers Out</u>		
2011 QZAB Bonds Debt Service Fund	3,703	3,763
2010 QZAB Bonds Debt Service Fund	<u>73,124</u>	<u>73,678</u>
Total Other Financing Uses	<u>76,827</u>	<u>77,441</u>
TOTAL EXPENDITURES AND OTHER FINANCING USES	<u>\$ 5,884,830</u>	<u>\$ 5,463,420</u>

PELLSTON PUBLIC SCHOOLS

PELLSTON, MICHIGAN

AGENCY FUND

STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND BALANCE

YEAR ENDED JUNE 30, 2019

	<u>BALANCE</u>	<u>RECEIPTS</u>	<u>DISBURSEMENTS</u>	<u>BALANCE</u>
	6/30/18	(Including Transfers)		6/30/19
Cadwell Scholarship	\$ 13,159	\$ 0	\$ 0	\$ 13,159
Hayes Scholarship	1,201	0	900	301
Johnson Scholarship	4,000	0	0	4,000
Sports Concessions	800	16,893	13,839	3,854
Band Boosters	1,518	0	0	1,518
Beverage Consortium	843	929	655	1,117
MS-HS Christmas	556	2,497	2,806	247
Elem. Social Fund	80	63	75	68
Elem. Teachers Pop	731	235	966	0
Elementary Principal	20	1,780	18	1,782
Interest and Miscellaneous	4,374	1,790	0	6,164
MS/HS Principal	1	1,236	1,207	30
Middle School/High School Social Fund	159	25	119	65
Central Office	395	504	533	366
Learning Support SP Needs	403	667	635	435
Science/Trout	235	112	531	(184)
Woodshop	2,226	7,786	3,689	6,323
Art	3,222	2,678	2,982	2,918
Athletic Fundraising	480	1,693	2,173	0
Class of 2016	202	0	127	75
Class of 2017	300	0	0	300
Class of 2018	322	1	0	323
Elementary Drama	3,366	4,161	2,733	4,794
Elementary School Cash	487	0	487	0
Class of 2019	1,337	342	1,464	215
Class of 2020	1,874	3,394	3,624	1,644
First Grade	84	1,237	1,100	221
Fourth Grade	427	524	296	655
High School Drama	204	1,136	1,145	195
High School Student Council	1,009	929	1,276	662
Kindergarten	766	2,449	2,378	837
Math Department	963	0	30	933
Middle School Student Council	638	367	312	693
National Honors Society	807	908	1,184	531
Preschool	1,120	2,692	2,186	1,626
Robotics	6,283	7,337	9,540	4,080
Second Grade	1,483	567	429	1,621
Ski Club	209	6,136	6,154	191
Start	1,265	2,221	1,284	2,202
Student Flow	107	657	724	40



PELLSTON PUBLIC SCHOOLS  
PELLSTON, MICHIGAN

AGENCY FUND

STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND BALANCE

YEAR ENDED JUNE 30, 2019

	<u>BALANCE</u> 6/30/18	<u>RECEIPTS</u> (Including Transfers)	<u>DISBURSEMENTS</u>	<u>BALANCE</u> 6/30/19
Third Grade	552	677	1,081	148
Yearbook	1,740	2,051	2,187	1,604
Homeless	481	452	502	431
John Mclarty Family Scholarship	8,000	0	500	7,500
Class of 2021	1,345	2,949	1,930	2,364
Class of 2022	652	252	0	904
Football	5,650	9,549	9,289	5,910
Baseball	2,149	3,817	5,658	308
Volleyball	4,064	17,710	16,595	5,179
Softball	3,596	2,297	3,301	2,592
Girls Basketball	1,461	2,714	593	3,582
Track	0	1,063	1,063	0
Cross Country	1,135	1,611	1,878	868
Boys Basketball	817	7,620	7,530	907
Bleacher Field House	0	0	0	0
5th grade	559	269	828	0
6th Grade	260	9,835	9,807	288
Parent Class 2027	967	569	1,053	483
Employee Wellness	885	0	450	435
Gene Haas Scholarship	2,000	0	0	2,000
Wrestling	2,092	7,345	6,236	3,201
	<u>\$ 96,061</u>	<u>\$ 144,726</u>	<u>\$ 138,082</u>	<u>\$ 102,705</u>

Represented by

Assets				
Cash and Cash Equivalents	\$ 15,109			\$ 19,040
Investments	80,952			82,777
Due from General Fund	<u>0</u>			<u>1,000</u>
Total Assets	<u>\$ 96,061</u>			<u>\$ 102,817</u>
Liabilities				
Accounts Payable	\$ 0			\$ 112
Due to Groups and Organizations	<u>96,061</u>			<u>102,705</u>
Total Liabilities	<u>\$ 96,061</u>			<u>\$ 102,817</u>

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PELLSTON PUBLIC SCHOOLS  
PELLSTON, MICHIGAN

SCHEDULE OF BONDS PAYABLE  
JUNE 30, 2019

<u>TITLE OF ISSUE</u>	2008 General Obligation Refundable Bonds		
<u>DATE OF ISSUE</u>	September 29, 2008		
<u>INTEREST PAYABLE</u>	May 1, and November 1 of each year		
<u>AMOUNT OF ISSUE</u>	\$	7,940,000	
<u>AMOUNT REDEEMED</u>			
Redeemed Prior to Current Year	\$	4,665,000	
Redeemed During Current Year		785,000	5,450,000
		\$ 2,490,000	

BALANCE OUTSTANDING - June 30, 2019

<u>DUE DATES</u>	<u>INTEREST</u>	<u>REQUIREMENTS</u>		
	<u>RATES</u>	<u>TOTAL</u>	<u>INTEREST</u>	<u>PRINCIPAL</u>
November 1, 2019	4.0000%	\$ 51,065	\$ 51,065	\$ 0
May 1, 2020	4.0000%	861,065	51,065	810,000
November 1, 2020	4.1000%	34,865	34,865	0
May 1, 2021	4.1000%	864,865	34,865	830,000
November 1, 2021	4.2000%	17,850	17,850	0
May 1, 2022	4.2000%	867,850	17,850	850,000
		\$ 2,697,560	\$ 207,560	\$ 2,490,000

PELLSTON PUBLIC SCHOOLS  
PELLSTON, MICHIGAN

SCHEDULE OF BONDS PAYABLE  
JUNE 30, 2019

<u>TITLE OF ISSUE</u>	2010 School Improvement Bond		
<u>DATE OF ISSUE</u>	December 29, 2010		
<u>INTEREST PAYABLE</u>	May 1, and November 1 of each year		
<u>AMOUNT OF ISSUE</u>	\$	710,000	
<u>AMOUNT REDEEMED</u>			
Redeemed Prior to Current Year	\$	568,000	
Redeemed During Current Year		71,000	639,000
		71,000	
	\$	71,000	

BALANCE OUTSTANDING - June 30, 2019

<u>DUE DATES</u>	<u>INTEREST</u> <u>RATES</u>	<u>REQUIREMENTS</u>		
		<u>TOTAL</u>	<u>INTEREST</u>	<u>PRINCIPAL</u>
November 1, 2019	6.0000%	\$ 2,130	\$ 2,130	\$ 0
May 1, 2020	6.0000%	73,130	2,130	71,000
		\$ 75,260	\$ 4,260	\$ 71,000

PELLSTON PUBLIC SCHOOLS  
PELLSTON, MICHIGAN

SCHEDULE OF BONDS PAYABLE  
JUNE 30, 2019

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

BALANCE OUTSTANDING - June 30, 2019

<u>DUE DATES</u>	<u>INTEREST</u>	<u>REQUIREMENTS</u>		
	<u>RATES</u>	<u>TOTAL</u>	<u>INTEREST</u>	<u>PRINCIPAL</u>
November 1, 2019		\$ 9,642	\$ 9,642	\$ 0
May 1, 2020		9,642	9,642	0
November 1, 2020	5.8000%	69,642	9,642	60,000
May 1, 2021	5.8000%	7,902	7,902	0
November 1, 2021	6.0000%	67,902	7,902	60,000
May 1, 2022	6.0000%	6,101	6,101	0
November 1, 2022	6.2000%	71,102	6,102	65,000
May 1, 2023	6.2000%	4,086	4,086	0
November 1, 2023	6.2000%	69,087	4,087	65,000
May 1, 2024	6.2000%	2,071	2,071	0
November 1, 2024	6.3750%	67,072	2,072	65,000
		\$ 384,249	\$ 69,249	\$ 315,000

PELLSTON PUBLIC SCHOOLS  
PELLSTON, MICHIGAN

SCHEDULE OF BONDS PAYABLE  
JUNE 30, 2019

<u>TITLE OF ISSUE</u>	2012 School Technology and Equipment Bonds		
<u>DATE OF ISSUE</u>	November 6, 2012		
<u>INTEREST PAYABLE</u>	May 1, and November 1 of each year		
<u>AMOUNT OF ISSUE</u>	\$	770,000	
<u>AMOUNT REDEEMED</u>			
Redeemed Prior to Current Year	\$	420,000	
Redeemed During Current Year		170,000	590,000
		\$ 180,000	

BALANCE OUTSTANDING - June 30, 2019

<u>DUE DATES</u>	<u>INTEREST</u> <u>RATES</u>	<u>REQUIREMENTS</u>		
		<u>TOTAL</u>	<u>INTEREST</u>	<u>PRINCIPAL</u>
November 1, 2019	2.2500%	\$ 2,025	\$ 2,025	\$ 0
May 1, 2020	2.2500%	182,025	2,025	180,000
		\$ 184,050	\$ 4,050	\$ 180,000

