

SAUGATUCK PUBLIC SCHOOLS

REPORT ON FINANCIAL STATEMENTS
(with required supplementary and additional
supplementary information)

YEAR ENDED JUNE 30, 2019

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INDEPENDENT AUDITOR'S REPORT

To the Board of Education
Saugatuck Public Schools

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Saugatuck Public Schools, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Saugatuck Public Schools' 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 Saugatuck Public Schools as of June 30, 2019, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

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

The additional supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The additional supplementary 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 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 additional supplementary information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 4, 2019 in our consideration of Saugatuck 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 Saugatuck 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 Saugatuck Public Schools' internal control over financial reporting and compliance.

Maney Costeiran PC

September 4, 2019

Saugatuck Public Schools

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2019

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

District-wide Financial Statements

The first two statements are District-wide financial statements that 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 statements are compiled using the full accrual basis of accounting and more closely represent financial statements presented by business and industry. All of the District's assets, liabilities, deferred inflows of resources, and deferred outflows of resources, both short and long-term, are reported. As such, these statements include capital assets, net of related depreciation, as well as the bonded debt and other long-term obligations of the District resulting in total net position.

Over time, increases or decreases in the District's net position is one indicator of whether its financial position is improving or deteriorating. To assess the District's overall financial health, one should consider additional factors which may include the State's and/or region's economic condition, changes in the District's property tax base, and age and condition of its capital assets.

Fund Financial Statements

For the most part, the fund financial statements are comparable to financial statements for the previous fiscal year. The fund level statements are reported on a modified accrual basis in that only those assets that are deemed "measurable" and "currently available" are reported. Liabilities are recognized to the extent that they are normally expected to be paid with current financial resources.

The formats of the fund statements comply with requirements of the Michigan Department of Education's "Accounting Manual". In the state of Michigan, school districts' major instructional and instructional support activities are reported in the General Fund. Additional activities are reported in various other funds categorized as Special Revenue, Debt Service, and Capital Projects Funds.

In addition to the governmental fund types mentioned above, the District is the trustee, or fiduciary, for assets that belong to others. The District is responsible for ensuring that the assets reported in these accounts are used only for their intended purposes by the groups to whom the assets belong. These monies are accounted for in the agency fund, and the related financial activity is appropriately excluded from the District-wide financial statements as the assets do not belong to the District.

In the fund financial statements, capital assets purchased are considered expenditures in the year of acquisition with no asset being reported. The issuance of debt is treated as a financial resource. The current year's payments of principal and interest on long-term obligations are recorded as expenditures. The obligations for future years' debt service are not recorded in the fund financial statements.

Saugatuck Public Schools

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2019

Summary of Net Position

The following schedule summarizes the net position at June 30, 2019 and 2018:

	2019	2018
Current and other assets	\$ 5,129,910	\$ 4,447,428
Capital assets	18,534,432	19,262,584
Total assets	<u>23,664,342</u>	<u>23,710,012</u>
Deferred outflows	6,810,627	4,545,498
Long-term liabilities	13,345,721	14,506,331
Other liabilities	1,414,543	1,262,688
Net pension liability	16,047,972	14,227,800
Net OPEB liability	4,153,889	4,882,354
Total liabilities	<u>34,962,125</u>	<u>34,879,173</u>
Deferred inflows	3,242,536	1,492,358
Net position:		
Net investment in capital assets	6,298,306	5,970,112
Restricted for capital projects (sinking fund)	320,927	348,436
Restricted for debt service	1,687,742	1,323,913
Unrestricted	<u>(16,036,667)</u>	<u>(15,758,482)</u>
Total net position	<u>\$ (7,729,692)</u>	<u>\$ (8,116,021)</u>

Analysis of Net Position

During the fiscal year ended June 30, 2019, the District's net position increased by \$386,329. A few of the more significant factors affecting net position during the year are discussed below:

➤ Cash Equivalents, Deposits and Investments

At June 30, 2019, the District's cash equivalents, deposits and investments amounted to \$5.2 million (including fiduciary funds). This represented an increase of \$2.2 million over the previous year, primarily as a result of increases in the bonded debt service fund balance and the nonmajor fund balances.

➤ Capital Outlay Acquisitions

For the fiscal year ended June 30, 2019, approximately \$24,000 of expenditures were capitalized and recorded as assets of the District. These additions to the District's capital assets will be depreciated over time as explained below.

The net effect of the new capital assets, assets disposed of during the fiscal year, and the current year's depreciation is a net decrease to capital assets in the amount of \$728,152 for the fiscal year ended June 30, 2019.

Saugatuck Public Schools

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2019

➤ Depreciation Expense

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

➤ Bonded Debt

For the fiscal year ended June 30, 2019, the District's bonded debt decreased by \$1.172 million as a result of repayment of bonded debt issued in prior years.

➤ Accumulated Compensated Absences and Termination Benefits

At June 30, 2019, the District had an obligation to employees for the portion of earned compensated absences and termination benefits that they would be entitled to upon separation in the amount of \$163,677.

Results of Operations

For the fiscal years ended June 30, 2019 and 2018, the results of operations, on a District-wide basis, were:

	2019	2018
Revenues:		
Program revenues:		
Charges for services	\$ 201,134	\$ 221,993
Operating grants	2,267,062	2,205,197
General revenues:		
Property taxes	8,518,669	8,572,591
Investment earnings	101,546	37,405
State aid - unrestricted	889,160	1,104,248
Other	23,912	15,744
Total revenues	12,001,483	12,157,178
Expenses:		
Instruction	6,245,503	6,142,924
Support services	3,775,494	3,437,264
Community services	165,595	161,189
Food services	248,620	247,419
Interest on long-term debt	428,349	456,906
Unallocated depreciation	751,593	761,130
Total expenses	11,615,154	11,206,832
Change in net position	\$ 386,329	\$ 950,346

Saugatuck Public Schools

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2019

Analysis of Significant Revenues and Expenses

Significant revenues and expenditures are discussed in the segments below:

➤ Property Taxes

The District levied 18.0 mills of property taxes for operations on non-principal residence exempt property for the 2018 tax year. According to Michigan law, the tax levy is based on the taxable valuation of properties. The annual taxable valuation increases are capped at the rate of increase in the prior year's Consumer Price Index or 5%, whichever is less. At the time that property is sold, its taxable valuation is readjusted to the State Equalized Value, which in theory is one half of the property's market value. At June 30, 2019, there were no significant unpaid property taxes.

➤ State Sources

The majority of the unrestricted state sources of revenues is comprised of the per student foundation allowance. The State of Michigan funds school districts based on a blended student enrollment which is calculated using 90% of the current fiscal year's fall count (October) and 10% of the prior fiscal year's spring count (February). For the 2018-2019 fiscal year, the District received \$8,460 per student full time equivalent. The student foundation allowance amount increased by \$147 when compared to the 2017-2018 fiscal year.

➤ Operating Grants

The District receives a significant portion of its operating revenue from categorical grants. For the fiscal year ended June 30, 2019, federal, state, and other grants amounted to approximately \$2.27 million. This represents an increase of approximately \$62,000 over the prior year.

Comparative Expenditures

A comparison of the expenditures reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances is shown below:

Expenditures	2019	2018	Increase (decrease)
Instruction	\$ 5,915,584	\$ 6,032,750	\$ (117,166)
Support services	3,430,023	3,343,467	86,556
Community services	1,653	1,775	(122)
Food service activities	243,973	245,889	(1,916)
Community recreation	159,176	157,865	1,311
Capital outlay	225,930	125,194	100,736
Debt service	<u>1,509,316</u>	<u>1,674,256</u>	<u>(164,940)</u>
Total expenditures	<u>\$ 11,485,655</u>	<u>\$ 11,581,196</u>	<u>\$ (95,541)</u>

Saugatuck Public Schools

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2019

General Fund Budgetary Highlights

The Uniform Budgeting Act of the State of Michigan requires that the local Board of Education approve the annual operating budget prior to the start of the fiscal year on July 1. Any amendments to the original budget must be approved by the Board prior to the close of the fiscal year on June 30, 2019.

The following schedule shows a comparison of the original general fund budget, the final amended budget, and actual totals from operations for the fiscal year ending June 30, 2019.

	<u>Original budget</u>	<u>Final budget</u>	<u>Actual</u>	<u>Variance with budget</u>	<u>% Variance</u>
Total revenues	<u>\$ 8,947,900</u>	<u>\$ 9,367,100</u>	<u>\$ 9,317,149</u>	<u>\$ (49,951)</u>	<u>-0.53%</u>
Expenditures:					
Instruction	6,019,600	6,021,300	5,915,584	(105,716)	-1.76%
Supporting services	3,170,500	3,441,700	3,430,023	(11,677)	-0.34%
Community services	1,800	-	1,653	1,653	-
Total expenditures	<u>\$ 9,191,900</u>	<u>\$ 9,463,000</u>	<u>\$ 9,347,260</u>	<u>\$ (115,740)</u>	<u>-1.22%</u>
Other financing sources (uses)	<u>\$ 43,500</u>	<u>\$ (58,600)</u>	<u>\$ (57,665)</u>	<u>\$ 935</u>	<u>-1.60%</u>

The original budget adopted by the Board in June 2018 was amended twice during the year. The amendments, approved in February and June 2019, reflected necessary changes to both revenues and expenditures based on projections made by the Chief Financial Officer.

Capital Assets

By the end of the 2018-2019 fiscal year, the District had invested approximately \$30.31 million as the original cost in a broad range of capital assets, including land, school buildings and improvements, furniture and equipment, and school buses and other vehicles. Depreciation expense for the year amounted to \$751,593, bringing the accumulated depreciation to roughly \$11.78 million as of June 30, 2019.

	2019		2018	
	<u>Cost</u>	<u>Accumulated depreciation</u>	<u>Net book value</u>	<u>Net book value</u>
Land	\$ 555,563	\$ -	\$ 555,563	\$ 555,563
Buildings and improvements	26,067,550	9,383,081	16,684,469	17,275,585
Furniture and equipment	3,128,301	1,891,094	1,237,207	1,345,647
Buses and vehicles	561,067	503,874	57,193	85,789
Total	<u>\$ 30,312,481</u>	<u>\$ 11,778,049</u>	<u>\$ 18,534,432</u>	<u>\$ 19,262,584</u>

Saugatuck Public Schools

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2019

Long-term Debt

At June 30, 2019, the District had approximately \$13.35 million in long-term obligations which included \$12.31 million in outstanding bonded debt. The bonded debt obligation decreased during the year as \$1.1 million of previously outstanding bonds were redeemed. In addition to the bonded debt, the District has unamortized premiums of approximately \$877,000 and an obligation for compensated absences estimated at roughly \$164,000 at the end of the fiscal year.

	2019	2018
General obligation bonds	\$ 12,305,000	\$ 13,380,000
Unamortized premiums	877,044	974,494
Compensated absences	163,677	151,837
	<u>\$ 13,345,721</u>	<u>\$ 14,506,331</u>

Factors Bearing on the District's Future

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

- The uncertainty of student foundation funding levels, as well as funding for other K-12 education programs, reflects the economic difficulties faced by the State of Michigan and the District. One of the most important factors affecting the District's budget is student count. General fund revenue is generated from the State's per pupil allowance, a combination of State aid and property taxes. Under State law, the District cannot assess additional property tax revenue for general operations.
- In November, 2018, county voters approved a 0.9 mill enhancement millage where the funds will primarily be used to maintain current academic and extra-curricular offerings, along with mental health and social-emotional learning services district-wide.
- Demographic projections indicate that enrollment is likely to decrease over the next several years which is primarily attributable to the size of graduating classes in comparison to projected incoming kindergarten classes. Considering projected enrollment along with the lack of stability in the funding stream from the State, and rising costs in many areas including employee health insurance, retirement contribution costs, and utilities, District administration continues to remain diligent in its decision-making as the Board desires to increase its level of reserves (fund balance) to historic levels. Measures to accomplish this include, but are not limited to, cooperative agreements with the Ottawa Area Intermediate School District as well as neighboring public and parochial schools and strategic changes to how the District handles its non-instructional support services.

Saugatuck Public Schools

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2019

- In May, 2018, voters approved a 0.50 mill Sinking Fund Millage focusing on the purchase of real estate for sites, for the construction or repair of school buildings, for school security improvements, for the acquisition or upgrading of technology and all other purposes authorized by law. Proceeds from the Sinking Fund Millage will be spent over the next five years to support the continuing needs of the district.

Contacting the District's Financial Management

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report, or need additional information, please contact the Chief Financial Officer at Saugatuck Public Schools, 201 Randolph, Douglas, MI 49406.

BASIC FINANCIAL STATEMENTS

**SAUGATUCK PUBLIC SCHOOLS
STATEMENT OF NET POSITION
JUNE 30, 2019**

	<u>Governmental activities</u>
ASSETS:	
Cash and cash equivalents	\$ 885,731
Investments	3,915,388
Receivables:	
Intergovernmental	214,653
Inventories	1,700
Restricted cash and cash equivalents - capital projects	112,438
Capital assets not being depreciated	555,563
Capital assets, net of accumulated depreciation	<u>17,978,869</u>
TOTAL ASSETS	<u>23,664,342</u>
DEFERRED OUTFLOWS OF RESOURCES:	
Deferred charge on refunding, net of amortization	833,480
Related to pensions	5,193,919
Related to OPEB	<u>783,228</u>
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>6,810,627</u>
LIABILITIES:	
Accounts payable	141,800
Accrued interest	67,669
Accrued salaries and related items	830,568
Accrued retirement	280,004
Unearned revenue	94,502
Noncurrent liabilities:	
Due within one year	1,136,368
Due in more than one year	12,209,353
Net pension liability	16,047,972
Net OPEB liability	<u>4,153,889</u>
TOTAL LIABILITIES	<u>34,962,125</u>
DEFERRED INFLOWS OF RESOURCES:	
Related to pensions	1,514,481
Related to OPEB	1,150,017
Related to state aid funding for pension	<u>578,038</u>
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>3,242,536</u>
NET POSITION:	
Net investment in capital assets	6,298,306
Restricted for capital projects (sinking fund)	320,927
Restricted for debt service	1,687,742
Unrestricted	<u>(16,036,667)</u>
TOTAL NET POSITION	<u><u>\$ (7,729,692)</u></u>

**SAUGATUCK PUBLIC SCHOOLS
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2019**

<u>Functions/programs</u>	<u>Expenses</u>	<u>Program revenues</u>		<u>Governmental activities</u>
		<u>Charges for services</u>	<u>Operating grants</u>	<u>Net (expense) revenue and changes in net position</u>
Governmental activities:				
Instruction	\$ 6,245,503	\$ 7,759	\$ 1,300,597	\$ (4,937,147)
Support services	3,775,494	73,498	654,725	(3,047,271)
Community services	165,595	35,690	102,404	(27,501)
Food services	248,620	84,187	209,336	44,903
Interest on long-term debt	428,349	-	-	(428,349)
Unallocated depreciation	751,593	-	-	(751,593)
Total governmental activities	<u>\$ 11,615,154</u>	<u>\$ 201,134</u>	<u>\$ 2,267,062</u>	<u>(9,146,958)</u>
General revenues:				
Property taxes, levied for general purposes				6,222,042
Property taxes, levied for community services				160,445
Property taxes, levied for debt service				1,812,726
Property taxes, levied for sinking fund				323,456
State sources - unrestricted				889,160
Investment earnings				101,546
Other				23,912
Total general revenues				<u>9,533,287</u>
CHANGE IN NET POSITION				386,329
NET POSITION, beginning of year				<u>(8,116,021)</u>
NET POSITION, end of year				<u>\$ (7,729,692)</u>

**SAUGATUCK PUBLIC SCHOOLS
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2019**

	<u>General fund</u>	<u>Bond debt service</u>	<u>Total nonmajor funds</u>	<u>Total governmental funds</u>
ASSETS:				
Cash and cash equivalents	\$ 199,066	\$ 858	\$ 685,807	\$ 885,731
Investments	2,160,835	1,754,553	-	3,915,388
Receivables:				
Due from other funds	3,306	-	173,450	176,756
Intergovernmental	209,367	-	5,286	214,653
Inventories	-	-	1,700	1,700
Restricted cash and cash equivalents	-	-	112,438	112,438
TOTAL ASSETS	<u>\$ 2,572,574</u>	<u>\$ 1,755,411</u>	<u>\$ 978,681</u>	<u>\$ 5,306,666</u>
LIABILITIES AND FUND BALANCES				
LIABILITIES:				
Payables:				
Accounts payable	\$ 127,314	\$ -	\$ 14,486	\$ 141,800
Due to other funds	173,450	-	3,306	176,756
Accrued salaries and related items	830,568	-	-	830,568
Accrued retirement	280,004	-	-	280,004
Unearned revenue	85,790	-	8,712	94,502
TOTAL LIABILITIES	<u>1,497,126</u>	<u>-</u>	<u>26,504</u>	<u>1,523,630</u>

See notes to financial statements.

	<u>General fund</u>	<u>Bond debt service</u>	<u>Total nonmajor funds</u>	<u>Total governmental funds</u>
FUND BALANCES:				
Nonspendable:				
Inventories	\$ -	\$ -	\$ 1,700	\$ 1,700
Restricted for:				
Food service	-	-	101,982	101,982
Community recreation	-	-	182,064	182,064
Capital projects	-	-	566,431	566,431
Debt service	-	1,755,411	-	1,755,411
Assigned for capital projects	-	-	100,000	100,000
Unassigned	1,075,448	-	-	1,075,448
TOTAL FUND BALANCES	<u>1,075,448</u>	<u>1,755,411</u>	<u>952,177</u>	<u>3,783,036</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 2,572,574</u>	<u>\$ 1,755,411</u>	<u>\$ 978,681</u>	<u>\$ 5,306,666</u>
Total governmental fund balances				\$ 3,783,036
Amounts reported for governmental activities in the statement of net position are different because:				
Deferred charge on refunding			\$ 833,480	
Deferred outflows of resources - related to pensions			5,193,919	
Deferred outflows of resources - related to OPEB			783,228	
Deferred inflows of resources - related to pensions			(1,514,481)	
Deferred inflows of resources - related to OPEB			(1,150,017)	
Deferred inflows of resources - related to state pension funding			<u>(578,038)</u>	3,568,091
Capital assets used in governmental activities are not financial resources and are not reported in the funds:				
The cost of the capital assets is			30,312,481	
Accumulated depreciation is			<u>(11,778,049)</u>	18,534,432
Long-term liabilities are not due and payable in the current period and are not reported in the funds:				
Bonds payable				(13,182,044)
Compensated absences				(163,677)
Accrued interest is not included as a liability in governmental funds, it is recorded when paid				(67,669)
Net pension liability				(16,047,972)
Net OPEB liability				<u>(4,153,889)</u>
Net position of governmental activities				<u>\$ (7,729,692)</u>

See notes to financial statements.

SAUGATUCK PUBLIC SCHOOLS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2019

	<u>General fund</u>	<u>Bond debt service</u>	<u>Total nonmajor funds</u>	<u>Total governmental funds</u>
REVENUES:				
Local sources:				
Property taxes	\$ 6,222,042	\$ 1,812,726	\$ 483,901	\$ 8,518,669
Food sales	-	-	84,187	84,187
Charges for services	-	-	35,690	35,690
Investment earnings	52,104	42,664	6,778	101,546
Other	203,510	-	2,372	205,882
Total local sources	<u>6,477,656</u>	<u>1,855,390</u>	<u>612,928</u>	<u>8,945,974</u>
State sources	2,009,651	13,288	18,582	2,041,521
Federal sources	228,772	-	193,478	422,250
Intermediate school districts	601,070	-	-	601,070
Total revenues	<u>9,317,149</u>	<u>1,868,678</u>	<u>824,988</u>	<u>12,010,815</u>
EXPENDITURES:				
Current:				
Instruction	5,915,584	-	-	5,915,584
Supporting services	3,430,023	-	-	3,430,023
Community services	1,653	-	-	1,653
Food service activities	-	-	243,973	243,973
Community recreation	-	-	159,176	159,176

See notes to financial statements.

	<u>General fund</u>	<u>Bond debt service</u>	<u>Total nonmajor funds</u>	<u>Total governmental funds</u>
EXPENDITURES (Concluded):				
Debt service:				
Principal repayment	\$ -	\$ 1,075,000	\$ -	\$ 1,075,000
Interest	-	432,816	-	432,816
Other	-	1,500	-	1,500
Capital outlay	-	-	225,930	225,930
Total expenditures	<u>9,347,260</u>	<u>1,509,316</u>	<u>629,079</u>	<u>11,485,655</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(30,111)</u>	<u>359,362</u>	<u>195,909</u>	<u>525,160</u>
OTHER FINANCING SOURCES (USES):				
Transfers in	41,335	-	100,000	141,335
Transfers out	(100,000)	-	(41,335)	(141,335)
Proceeds from sale of capital asset	1,000	-	-	1,000
Total other financing sources (uses)	<u>(57,665)</u>	<u>-</u>	<u>58,665</u>	<u>1,000</u>
NET CHANGE IN FUND BALANCES	<u>(87,776)</u>	<u>359,362</u>	<u>254,574</u>	<u>526,160</u>
FUND BALANCES:				
Beginning of year	<u>1,163,224</u>	<u>1,396,049</u>	<u>697,603</u>	<u>3,256,876</u>
End of year	<u>\$ 1,075,448</u>	<u>\$ 1,755,411</u>	<u>\$ 952,177</u>	<u>\$ 3,783,036</u>

See notes to financial statements.

**SAUGATUCK PUBLIC SCHOOLS
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	\$ 526,160
Amounts reported for governmental activities in the statement of 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:	
Depreciation expense	(751,593)
Capital outlay	24,403
Loss on disposal of capital assets	(962)
Accrued interest on bonds is recorded in the statement of activities when incurred; it is not recorded in governmental funds until it is paid:	
Accrued interest payable, beginning of the year	72,136
Accrued interest payable, end of the year	(67,669)
The issuance of long-term debt (e.g., bonds) provides current financial resources to governmental funds, while the repayment of principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. The effect of these differences is the treatment of long-term debt and related items and are as follows:	
Payments on debt	1,075,000
Amortization of bond premiums	97,450
Amortization of deferred charge on refunding	(114,387)
Compensated absences are reported on the accrual method in the statement of activities, and recorded as an expenditure when financial resources are used in the governmental funds:	
Accrued compensated absences, beginning of the year	151,837
Accrued compensated absences, end of the year	(163,677)
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds:	
Pension related items	(631,450)
OPEB related items	178,451
Restricted revenue reported in the governmental funds that is deferred to offset the deferred outflows related to section 147c pension and OPEB contributions subsequent to the measurement period:	
State aid funding for pension and OPEB	(9,370)
Change in net position of governmental activities	\$ 386,329

**SAUGATUCK PUBLIC SCHOOLS
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
JUNE 30, 2019**

	<u>Agency fund</u>
ASSETS:	
Cash and cash equivalents	\$ 321,856
LIABILITIES:	
Due to student and other groups	\$ 321,856

**SAUGATUCK PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of Government-wide Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the District. All fiduciary activities are reported only in the fund financial statements. *Governmental activities* normally are supported by taxes and intergovernmental revenues.

B. Reporting Entity

The Saugatuck Public Schools (the “District”) is governed by the Saugatuck Public Schools Board of Education (the “Board”), 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 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 the accounting principles generally accepted in the United States of America. 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. In addition, the District’s reporting entity does not contain any component units as defined in Governmental Accounting Standards Board (GASB) Statements.

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 District’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. 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.

**SAUGATUCK PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Basis of Presentation - Fund Financial Statements (Continued)

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 *bond debt service fund* accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.

Other Nonmajor Funds

The *special revenue funds* account for revenue sources that are legally restricted to expenditures for specific purposes (not including expendable trusts or major capital projects). The District accounts for its food service and community recreation activities in the special revenue funds.

The *2013 capital projects fund* includes capital project activities funded with bonds issued after May 1, 1994. For these capital projects, the school district has complied with the applicable provisions of §1351a of the Revised School Code.

Beginning with the year of bond issuance, the District has reported the annual construction activity in the capital projects fund. The projects for which the 2013 School Improvement Bonds were issued were in process as of June 30, 2019 and the cumulative expenditures recognized for the construction period were as follows.

	<u>2013 Capital projects</u>
Revenue and other financing sources	<u><u>\$ 1,187,465</u></u>
Expenditures and other financing uses	<u><u>\$ 1,075,027</u></u>

Revenue and other financing sources for the 2013 capital projects include the net bond proceeds of \$1,185,000.

The capital projects *sinking funds* each records capital project activities funded with sinking fund millage and other sources. For the sinking funds, the District has complied with the applicable provision of §1212(1) of the Revised School Code and the State of Michigan Department of Treasury Letter No. 01-95.

The *capital projects fund* accounts for the receipt of transfers from the general fund for the acquisition of capital assets or construction of major capital projects. The District maintains this fund for various assigned purposes.

**SAUGATUCK PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Basis of Presentation - Fund Financial Statements (Concluded)

Fiduciary funds account for assets held by the District in a trustee capacity or as an agent on behalf of others. Trust funds account for assets held by the District under the terms of a formal trust agreement. Fiduciary funds are not included in the government-wide statements.

The *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 (primarily student activities).

During the course of operations the District 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, they are eliminated in the preparation of the government-wide financial statements.

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, they are eliminated in the preparation of the government-wide financial statements.

E. Measurement Focus and Basis of Accounting

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

The process of preparing 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 expenses. 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.

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

**SAUGATUCK PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Measurement Focus and Basis of Accounting (Concluded)

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 District considers revenues to be available if they are generally collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

Property taxes, state and federal aid, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. 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).

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 current year ended, the foundation allowance was based on pupil membership counts.

The state portion of the foundation is provided primarily by a state education property tax millage of 6 mills on Principal Residence Exemption (PRE) property and an allocated portion of state sales and other taxes. The local portion of the foundation is funded primarily by Non-PRE property taxes which may be levied at a rate of up to 18 mills as well as 6 mills for Commercial Personal Property Tax. The state revenue is recognized during the foundation period and is funded through payments from October to August. Thus, the unpaid portion at June 30 is reported as an intergovernmental receivable.

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 and accrued, which are not expended by the close of the fiscal year are recorded as unearned revenue.

All other revenue items are generally considered to be measurable and available only when cash is received by the District.

**SAUGATUCK PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Budgetary Information

Budgetary basis of accounting:

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the general fund and special revenue funds. Other funds do not have appropriated budgets.

Appropriations in all budgeted funds lapse at the end of the fiscal year even if they have related encumbrances. Encumbrances are commitments related to unperformed (executor) contracts for goods or services (i.e., purchase orders, contracts, and commitments). The District does not utilize encumbrance accounting.

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

1. The Superintendent submits to the School Board a proposed operating budget for the fiscal year commencing on July 1. The operating budget includes proposed expenditures and the means of financing them. The level of control for the budgets is at the functional level as set forth and presented as required supplementary information.
2. Public hearings are conducted to obtain taxpayer comments.
3. Prior to July 1, the budget is legally adopted by School Board resolution pursuant to the Uniform Budgeting and Accounting Act (1968 PA 2). The Act requires that the budget be amended prior to the end of the fiscal year when necessary to adjust appropriations if it appears that revenues and other financing sources will be less than anticipated or so that expenditures will not be in excess of original estimates. Expenditures shall not be made or incurred, unless authorized in the budget, in excess of the amount appropriated. Violations, if any, in the general fund are noted in the required supplementary information section.
4. Transfers may be made for budgeted amounts between major expenditure functions within any fund; however, these transfers and any revisions that alter the total expenditures of any fund must be approved by the School Board.
5. The budget was amended during the year with supplemental appropriations, the last one approved prior to June 30, 2019. The District does not consider these amendments to be significant.

**SAUGATUCK PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 with original maturities of three months or less from the date of acquisition.

2. 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 a 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.

3. Inventories

Inventories are valued at cost using the first-in/first-out (FIFO) method and consist of expendable supplies. The cost of such inventories is recorded as expenditures/expenses when consumed rather than when purchased.

4. Capital assets

Capital assets, which include property, plant, equipment, and transportation vehicles, are reported in the government-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Group purchases are evaluated on a case by case basis. Donated capital assets are recorded at their estimated acquisition value at the date of donation.

**SAUGATUCK PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

4. Capital assets (Concluded)

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

Land and construction in progress, if any, are not depreciated. The other property, plant, and equipment of the District are depreciated using the straight line method over the following estimated useful lives:

	Years
Buildings and improvements	20 - 45
Furniture and equipment	5 - 20
Buses and vehicles	8

5. Defined benefit plans

For purposes of measuring the net pension liability and other postemployment benefit liability, 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 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.

**SAUGATUCK PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

6. Deferred outflows

In addition to assets, the statement of net 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 and pension and other postemployment benefits related items reported in the government-wide statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. A deferred outflow is recognized for pension and other postemployment benefit related items. These amounts are expense in the plan year in which they apply.

7. Deferred inflows

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This 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 three items that qualify for reporting in this category. The first is restricted section 147c state aid deferred to offset deferred outflows related to section 147c pension contributions subsequent to the measurement period. The second and third items 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 liabilities and the actual results.

8. 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.

**SAUGATUCK PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

9. Fund balance flow assumptions

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.

10. 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 Board of Education is the highest level of decision-making authority for the District that can, by adoption of a board action prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the board action remains in place until a similar action is taken (the adoption of another board action) 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 of Education 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.

**SAUGATUCK PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

H. Revenues and Expenditures/Expenses

1. Program revenues

Amounts reported as *program revenues* 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 requirements of a particular function or segment. All taxes, including those dedicated for specific purposes, unrestricted state aid, interest, and other internally dedicated resources are reported as general revenues rather than as program revenues.

2. Property taxes

Property taxes levied by the District are collected by various municipalities and periodically remitted to the District. The taxes are levied and become a lien as of July 1 and December 1 and are due upon receipt of the billing by the taxpayer and become a lien on the first day of the levy year. The actual due dates are September 14 and February 14, after which time the bills become delinquent and penalties and interest may be assessed by the collecting entity.

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

Fund	Mills
General fund:	
Non-Principal Residence Exemption (PRE)	18.0000
Commercial Personal Property	6.0000
Debt service fund:	
PRE, Non-PRE, Commercial Personal Property	2.8000
Capital projects sinking fund:	
PRE, Non-PRE, Commercial Personal Property	0.5000
Community services fund:	
PRE, Non-PRE, Commercial Personal Property	0.2476

3. Compensated absences

The District's contracts generally provide for granting sick leave with pay. The current and long-term liability for compensated absences is reported on the government-wide financial statements. A liability for these amounts, including related benefits, is reported in governmental funds only if they have matured, for example, as a result of employee leave, resignations, or retirements.

**SAUGATUCK PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Concluded)

H. Revenues and Expenditures/Expenses (Concluded)

4. Long-term obligations

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

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

NOTE 2 - DEPOSITS AND INVESTMENTS

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

<u>Investment type</u>	<u>Fair value</u>	<u>Weighted average maturity (years)</u>	<u>Standard & Poor's rating</u>	<u>%</u>
MILAF External Investment pool - MIMAX	\$ 460	0.0027	AAAm	0.01%
MBIA External Investment pool - CLASS	3,914,928	0.0027	AAAm	99.99%
Total fair value	<u>\$3,915,388</u>			<u>100.00%</u>
Portfolio weighted average maturity		<u>0.0027</u>		

1 day maturity equals 0.0027, one year equals 1.00

The District voluntarily invests certain excess funds in external pooled investment funds, which include money market funds. The pooled investment funds utilized by the District are the Michigan Investment Liquid Asset Fund (MILAF) and the Michigan Class fund (MBIA). These are external pooled investment funds 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 pool share.

**SAUGATUCK PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 2 - DEPOSITS AND INVESTMENTS (Continued)

MILAF funds are considered external investment pools as defined by the GASB and as such are recorded at amortized cost which approximate fair value. The MILAF (MAX Class) fund requires notification of redemptions prior to 14 days to avoid penalties. The money market funds are also recorded at amortized cost which approximate fair value. These funds are not subject to the fair value disclosures.

Michigan Class fund is a local government investment pool as defined by the GASB and as such are recorded at fair value. These funds are subject to the fair value disclosures.

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 (NRSROs).

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.

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, \$1,252,047 of the District's bank balance of \$1,502,047 was exposed to custodial credit risk because it was uninsured. The carrying balance was \$1,320,025.

Custodial credit risk - investments. For an investment, this is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

The District will minimize custodial credit risk, which is the risk of loss due to the failure of the security issuer or backer, by; limiting investments to the types of securities allowed by law; and pre-qualifying the financial institutions, broker/dealers, intermediaries and advisors with which the District will do business.

Fair value measurement. 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).

**SAUGATUCK PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 2 - DEPOSITS AND INVESTMENTS (Concluded)

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 other market participants may use in pricing a security. These may include prices for similar securities, interest rates, prepayment speeds, credit risk and others.

Level 3: Prices determined using significant unobservable inputs. In situations where quoted prices or observable inputs are unavailable or deemed less relevant, unobservable inputs may be used. Unobservable inputs reflect the District's own assumptions about the factors market participants would use in pricing an investment and would be based on the best information available.

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.

The Michigan Class investments are invested in a pool containing Level 1 and Level 2 investments.

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

The above amounts as previously reported in Note 2:

Deposits - including fiduciary funds of \$321,856	\$ 1,320,025
Investments	<u>3,915,388</u>
	<u><u>\$ 5,235,413</u></u>

Deposits are reported in the financial statements as follows:

Fiduciary fund:	
Cash and cash equivalents	\$ 321,856
District-wide:	
Cash and cash equivalents	885,731
Investments	3,915,388
Restricted cash and cash equivalents - capital projects	<u>112,438</u>
	<u><u>\$ 5,235,413</u></u>

**SAUGATUCK PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 3 - INTERGOVERNMENTAL RECEIVABLES

Intergovernmental receivables at June 30, 2019 consist of the following:

	<u>Government- wide</u>
State aid	\$ 76,083
Federal revenue	<u>138,570</u>
	<u>\$ 214,653</u>

Intergovernmental receivables include amounts due from federal and state sources for various projects and programs.

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

**SAUGATUCK PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 4 - CAPITAL ASSETS

A summary of changes in the District's capital assets follows:

	Balance July 1, 2018	Additions	Deletions	Balance June 30, 2019
Assets not being depreciated:				
Land	\$ 555,563	\$ -	\$ -	\$ 555,563
Other capital assets:				
Building and improvements	26,067,550	-	-	26,067,550
Furniture and equipment	3,109,393	24,403	5,495	3,128,301
Buses and vehicles	561,067	-	-	561,067
Subtotal	<u>29,738,010</u>	<u>24,403</u>	<u>5,495</u>	<u>29,756,918</u>
Accumulated depreciation:				
Building and improvements	8,791,965	591,116	-	9,383,081
Furniture and equipment	1,763,746	131,881	4,533	1,891,094
Buses and vehicles	475,278	28,596	-	503,874
Total accumulated depreciation	<u>11,030,989</u>	<u>751,593</u>	<u>4,533</u>	<u>11,778,049</u>
Net capital assets being depreciated	<u>18,707,021</u>	<u>(727,190)</u>	<u>962</u>	<u>17,978,869</u>
Net governmental capital assets	<u>\$ 19,262,584</u>	<u>\$ (727,190)</u>	<u>\$ 962</u>	<u>\$ 18,534,432</u>

Depreciation expense is reported as unallocated in the statement of activities.

NOTE 5 - INTERFUND RECEIVABLES AND PAYABLES

Interfund receivable and payable balances at June 30, 2019 are as follows:

Receivable fund		Payable fund	
General fund	\$ 3,306	General fund	\$ 173,450
Food service fund	30,244	Bond debt service	-
Sinking fund	43,206	Sinking fund	3,306
General capital projects	<u>100,000</u>	General capital projects	<u>-</u>
	<u>\$ 176,756</u>		<u>\$ 176,756</u>

The outstanding balances between funds result mainly from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting systems, and (3) payments between funds are made.

**SAUGATUCK PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 6 - LONG-TERM OBLIGATIONS

The District issues general obligation bonds to provide funds for the acquisition, construction and improvement of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the District. Long-term obligations currently outstanding are as follows:

	obligation bonds	Compensated absences	Total
Balance July 1, 2018	\$ 14,354,494	\$ 151,837	\$ 14,506,331
Additions	-	11,840	11,840
Deletions	(1,172,450)	-	(1,172,450)
Balance June 30, 2019	13,182,044	163,677	13,345,721
Due within one year	(1,120,000)	(16,368)	(1,136,368)
Due in more than one year	<u>\$ 12,062,044</u>	<u>\$ 147,309</u>	<u>\$ 12,209,353</u>

Long-term obligations at June 30, 2019 is comprised of the following:

2015 Refunding bonds due in annual installments of \$770,000 to \$820,000 through May 1, 2024 with interest of 1.84%.	\$ 3,990,000
2016 Refunding bonds due in annual installments of \$350,000 to \$1,590,000 through May 1, 2028 with interest of 4.00%.	8,315,000
Add issuance premiums	<u>877,044</u>
Total general obligation bonds	13,182,044
Compensated absences	<u>163,677</u>
Total general long-term obligations	<u>\$ 13,345,721</u>

Interest expense for the year ended June 30, 2019 was approximately \$428,000.

In prior years, the District has defeased certain general obligation bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the District's financial statements. At June 30, 2019, \$9,030,000 of bonds outstanding are considered defeased.

**SAUGATUCK PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 6 - LONG-TERM OBLIGATIONS (Concluded)

The annual requirements to amortize long-term debt outstanding as of June 30, 2019, including interest of \$2,342,640 are as follows:

Year ending June 30,	General obligation bonds		Compensated absences	Total
	Principal	Interest		
2020	\$ 1,120,000	\$ 406,016	\$ -	\$ 1,526,016
2021	1,185,000	377,848	-	1,562,848
2022	1,250,000	347,404	-	1,597,404
2023	1,315,000	314,684	-	1,629,684
2024	1,370,000	279,688	-	1,649,688
2025 - 2028	6,065,000	617,000	-	6,682,000
	12,305,000	2,342,640	-	14,647,640
Issuance premiums	877,044	-	-	877,044
Compensated absences	-	-	163,677	163,677
	<u>\$ 13,182,044</u>	<u>\$ 2,342,640</u>	<u>\$ 163,677</u>	<u>\$ 15,688,361</u>

At June 30, 2019, fund balance of \$1,755,411 is available in the debt service funds to service the general obligation debt.

NOTE 7 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS

Plan Description

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

**SAUGATUCK PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 7 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS

Plan Description (Concluded)

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 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

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

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

Benefits Provided - Pension

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

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

**SAUGATUCK PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 7 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS

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 transient 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 thereafter would include a 1.25% pension factor.

**SAUGATUCK PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 7 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS

Pension Reform 2012 (Concluded)

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

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

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

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

Final Average Compensation (FAC) - Average of highest 60 consecutive months 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.

**SAUGATUCK PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 7 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (Continued)

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 health care recipient. For members who first worked before July 1, 2008, (Basic, MIP-Fixed, and MIP-Graded plan members), the subsidy is the maximum allowed by statute. To limit future liabilities of Other Postemployment Benefits, members who first worked on or after July 1, 2008, (MIP-Plus plan members), have a graded premium subsidy based on career length where they accrue credit towards their insurance premiums in retirement, not to exceed the maximum allowable by statute. Public Act 300 of 2012 sets the maximum subsidy at 80% beginning January 1, 2013; 90% for those Medicare eligible and enrolled in the insurances as of that date.

Retiree Healthcare Reform of 2012

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

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

Regular Retirement (no reduction factor for age)

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

**SAUGATUCK PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 7 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (Continued)

Regular Retirement (no reduction factor for age) (Concluded)

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

Member Contributions

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

Employer Contributions

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

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

For retirement and OPEB benefits, the unfunded (overfunded) actuarial accrued liability as of September 30, 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:

	Pension	Other postemployment benefit
October 1, 2017 - September 30, 2018	13.54% - 19.74%	7.42% - 7.67%
October 1, 2018 - September 30, 2019	13.39% - 19.59%	7.57% - 7.93%

The District's pension contributions for the year ended June 30, 2019 were equal to the required contribution total. Pension contributions were approximately \$1,403,000, with \$1,377,000 specifically for the Defined Benefit Plan.

**SAUGATUCK PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 7 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (Continued)

Employer Contributions (Concluded)

The District's OPEB contributions for the year ended June 30, 2019 were equal to the required contribution total. OPEB benefits were approximately \$400,000, with \$381,000 specifically for the Defined Benefit Plan.

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

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

Pension Liabilities

At June 30, 2019, the District reported a liability of \$16,047,972 for its proportionate share of the net pension liability. The net pension liability was measured as of September 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation date of September 30, 2017 and rolled-forward using generally accepted actuarial procedures. The District's proportion of the net pension liability was based on a projection of its long-term share of contributions to the pension plan relative to the projected contributions of all participating reporting units, actuarially determined. At September 30, 2018 and 2017, the District's proportion was 0.05338 and 0.05490 percent.

<u><i>MPSERS (Plan) Non-university employers</i></u>	<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	\$ 30,061,805,239	\$ 25,914,251,115
Proportionate share	0.05338%	0.05490%
Net pension liability for the District	\$ 16,047,972	\$ 14,227,800

**SAUGATUCK PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 7 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (Continued)

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

For the year ended June 30, 2019, the District recognized pension expense of \$2,008,939.

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

	Deferred outflows of resources	Deferred inflows of resources
	<u> </u>	<u> </u>
Changes of assumptions	\$ 3,716,697	\$ -
Net difference between projected and actual plan investment earnings	-	1,097,273
Differences between expected and actual experience	74,466	116,618
Changes in proportion and differences between employer contributions and proportionate share of contributions	111,156	300,590
Reporting Unit's contributions subsequent to the measurement date	1,291,600	-
	<u>\$ 5,193,919</u>	<u>\$ 1,514,481</u>

\$1,291,600, reported as deferred outflows of resources related to pensions resulting from district employer contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the subsequent fiscal year.

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

<u>Year ended September 30,</u>	<u>Amount</u>
2019	\$ 1,064,833
2020	696,028
2021	454,050
2022	172,927

**SAUGATUCK PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 7 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (Continued)

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

OPEB Liabilities

At June 30, 2019, the District reported a liability of \$4,153,889 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 0.05226 and 0.05513 percent.

<u>MPERS (Plan) Non-university employers:</u>	<u>September 30, 2018</u>	<u>September 30, 2017</u>
Total other postemployment benefit liability	\$ 13,932,170,264	\$ 13,920,945,991
Plan fiduciary net position	\$ 5,983,218,473	\$ 5,065,474,948
Net other postemployment benefit liability	\$ 7,948,951,791	\$ 8,855,471,043
Proportionate share	0.05226%	0.05513%
Net other postemployment liability for the District	\$ 4,153,889	\$ 4,882,354

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

For the year ended June 30, 2019, the District recognized OPEB expense of \$203,018.

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

	<u>Deferred outflows of resources</u>	<u>Deferred inflows of resources</u>
Changes of assumptions	\$ 439,899	\$ -
Net difference between projected and actual plan investment earnings	-	159,644
Differences between expected and actual experience	-	773,146
Changes in proportion and differences between employer contributions and proportionate share of contributions	210	217,227
Reporting Unit's contributions subsequent to the measurement date	343,119	-
	<u>\$ 783,228</u>	<u>\$ 1,150,017</u>

**SAUGATUCK PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 7 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (Continued)

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB (Concluded)

\$343,119, reported as deferred outflows of resources related to OPEB resulting from District employer contributions subsequent to the measurement date, will be recognized as a reduction of the net OPEB liability in the subsequent fiscal year.

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

Year ended September 30,	Amount
2019	\$ (168,868)
2020	(168,868)
2021	(168,868)
2022	(136,320)
2023	(66,984)

Actuarial Assumptions

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

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

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

Inflation - 3.0%.

Mortality assumptions:

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

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

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

**SAUGATUCK PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 7 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (Continued)

Actuarial Assumptions (Continued)

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% in 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 one or more dependents.

**SAUGATUCK PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 7 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (Continued)

Actuarial Assumptions (Continued)

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%	5.7%
Alternate Investment Pools	18.00%	9.2%
International Equity	16.00%	7.2%
Fixed Income Pools	10.50%	0.5%
Real Estate and Infrastructure Pools	10.00%	3.9%
Absolute Return Pools	15.50%	5.2%
Short Term Investment Pools	2.00%	0.0%
	<u>100.00%</u>	

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

Pension discount rate - A single discount rate of 7.05% was used to measure the total pension liability (7.00% 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% (7.00% for the Pension Plus Plan and 6.00% for the Pension Plus 2 Plan). The projection of cash flows used to determine this single discount rate assumed that plan member contributions will be made at the current contribution rate and that contributions from school districts will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

OPEB discount rate - A single discount rate of 7.15% was used to measure the total OPEB liability. This discount rate was based on the long-term expected rate of return on OPEB plan investments of 7.15%. The projection of cash flows used to determine this discount rate assumed that plan member contributions will be made at the current contribution rate and that school districts contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. 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.

**SAUGATUCK PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 7 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (Continued)

Actuarial Assumptions (Continued)

Sensitivity of the net pension liability to changes in the discount rate - The following presents the Reporting Unit's proportionate share of the net pension liability calculated using a single discount rate of 7.05% (7.00% for the Pension Plus Plan and 6.00% for the Pension Plus 2 Plan), as well as what the Reporting Unit's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	Pension		
	1% Decrease	Discount rate	1% Increase
Reporting Unit's proportionate share of the net pension liability	<u>\$ 21,069,747</u>	<u>\$ 16,047,972</u>	<u>\$ 11,875,692</u>

Sensitivity of the net OPEB liability to changes in the discount rate - The following presents the Reporting Unit's proportionate share of the net OPEB liability calculated using a single discount rate of 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:

	Other Postemployment Benefits		
	1% Decrease	Discount rate	1% Increase
Reporting Unit's proportionate share of the net other postemployment liability	<u>\$ 4,986,660</u>	<u>\$ 4,153,889</u>	<u>\$ 3,453,428</u>

**SAUGATUCK PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 7 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (Concluded)

Actuarial Assumptions (Continued)

Sensitivity to the net OPEB liability to changes in the healthcare cost trend rates - The following presents the Reporting Unit's proportionate share of the net other postemployment benefit liability calculated using the healthcare cost trend rate of 7.5% (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:

	Other Postemployment Benefits		
	1% Trend decrease	Healthcare cost trend rates	1% Trend increase
Reporting Unit's proportionate share of the net other postemployment benefit liability	<u>\$ 3,416,528</u>	<u>\$ 4,153,889</u>	<u>\$ 4,999,793</u>

Pension and OPEB Plan Fiduciary Net Position

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

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

NOTE 8 - RISK MANAGEMENT

The District is exposed to various risk of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees' and natural disasters. During the year ended June 30, 2019, the District carried commercial insurance and participated in a public entity risk pool. The District has had no settled claims resulting from these risks that exceeded its commercial coverage in any of the past 3 fiscal years.

**SAUGATUCK PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 9 - TRANSFERS

The food service fund transferred \$17,835 to the general fund and the community recreation fund transferred \$23,500 to the general fund. The transfers were made for the purpose of recovering indirect costs incurred during the year ended June 30, 2019. The general fund transferred \$100,000 to the capital projects fund for the purposes of future capital expenditure needs.

NOTE 10 - TAX ABATEMENTS

The District is required to disclose significant tax abatements as required by GASB Statement No. 77, *Tax Abatements*.

The District receives reduced property tax revenues as a result of Payments in Lieu of Taxes (PILOT) granted by cities, villages and townships. PILOT programs apply to multiple unit housing for citizens of low income and the elderly. The property taxes abated for all funds by municipality under these programs are as follows:

Municipality	Type	Taxes abated
City of Saugatuck	PILOT	\$ 19,228

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

There are no significant abatements made by the District.

NOTE 11 - CONTINGENT LIABILITIES

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

**SAUGATUCK PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 12 - UPCOMING ACCOUNTING PRONOUNCEMENTS

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

Governmental Accounting 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.

REQUIRED SUPPLEMENTARY INFORMATION

**SAUGATUCK PUBLIC SCHOOLS
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
YEAR ENDED JUNE 30, 2019**

	Original budget	Final budget	Actual	Variance with final budget
REVENUES:				
Local sources	\$ 6,310,900	\$ 6,473,200	\$ 6,477,656	\$ 4,456
State sources	1,854,200	2,059,400	2,009,651	(49,749)
Federal sources	224,300	240,500	228,772	(11,728)
Intermediate school districts and other	558,500	594,000	601,070	7,070
Total revenues	<u>8,947,900</u>	<u>9,367,100</u>	<u>9,317,149</u>	<u>(49,951)</u>
EXPENDITURES:				
Current:				
Instruction:				
Basic programs	5,393,700	5,368,300	5,280,301	87,999
Added needs	625,900	653,000	635,283	17,717
Total instruction	<u>6,019,600</u>	<u>6,021,300</u>	<u>5,915,584</u>	<u>105,716</u>
Supporting services:				
Pupil	632,900	667,800	643,195	24,605
Instructional staff	154,800	160,300	127,362	32,938
General administration	271,000	304,600	304,135	465
School administration	412,300	527,300	559,363	(32,063)
Business	268,600	272,300	267,538	4,762
Operations and maintenance	710,700	744,900	768,613	(23,713)
Pupil transportation	257,100	274,400	278,144	(3,744)
Central	189,300	211,100	197,760	13,340
Athletics	273,800	279,000	283,913	(4,913)
Total supporting services	<u>3,170,500</u>	<u>3,441,700</u>	<u>3,430,023</u>	<u>11,677</u>
Community services	1,800	-	1,653	(1,653)
Total expenditures	<u>9,191,900</u>	<u>9,463,000</u>	<u>9,347,260</u>	<u>115,740</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(244,000)</u>	<u>(95,900)</u>	<u>(30,111)</u>	<u>65,789</u>
OTHER FINANCING SOURCES (USES):				
Proceeds from sale of capital assets	-	-	1,000	1,000
Transfers in	43,500	41,400	41,335	(65)
Transfers out	-	(100,000)	(100,000)	-
Total other financing sources (uses)	<u>43,500</u>	<u>(58,600)</u>	<u>(57,665)</u>	<u>935</u>
NET CHANGE IN FUND BALANCE	<u>\$ (200,500)</u>	<u>\$ (154,500)</u>	<u>(87,776)</u>	<u>\$ 66,724</u>
FUND BALANCE:				
Beginning of year			1,163,224	
End of year			<u>\$ 1,075,448</u>	

**SAUGATUCK PUBLIC SCHOOLS
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE REPORTING UNIT'S PROPORTIONATE SHARE OF THE
NET PENSION LIABILITY
MICHIGAN PUBLIC SCHOOL EMPLOYEES RETIREMENT PLAN
LAST 10 FISCAL YEARS (DETERMINED AS OF PLAN YEAR ENDED SEPTEMBER 30)**

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Reporting Unit's proportion of net pension liability (%)	0.05338%	0.05490%	0.05489%	0.05475%	0.05202%
Reporting Unit's proportionate share of net pension liability	\$ 16,047,972	\$ 14,227,800	\$ 13,695,145	\$ 13,373,093	\$ 11,459,101
Reporting Unit's covered-employee payroll	\$ 4,497,148	\$ 4,553,848	\$ 4,657,783	\$ 4,602,646	\$ 4,465,700
Reporting Unit's proportionate share of net pension liability as a percentage of its covered-employee payroll	356.85%	312.43%	294.03%	290.55%	256.60%
Plan fiduciary net position as a percentage of total pension liability (Non-university employers)	62.36%	64.21%	63.27%	63.17%	66.20%

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10 year trend is compiled, the District presents information for those years for which information is available.

**SAUGATUCK PUBLIC SCHOOLS
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE REPORTING UNIT'S PENSION CONTRIBUTIONS
MICHIGAN PUBLIC SCHOOL EMPLOYEES RETIREMENT PLAN
LAST 10 FISCAL YEARS (DETERMINED AS OF THE YEAR ENDED JUNE 30)**

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Statutorily required contributions	\$ 1,377,490	\$ 1,287,776	\$ 1,291,044	\$ 1,219,126	\$ 1,019,036
Contributions in relation to statutorily required contributions	<u>1,377,490</u>	<u>1,287,776</u>	<u>1,291,044</u>	<u>1,219,126</u>	<u>1,019,036</u>
Contribution deficiency (excess)	<u>\$ -</u>				
Reporting Unit's covered-employee payroll	\$ 4,646,366	\$ 4,521,272	\$ 4,632,771	\$ 4,869,239	\$ 4,680,682
Contributions as a percentage of covered-employee payroll	29.65%	28.48%	27.87%	25.04%	21.77%

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10 year trend is compiled, the District presents information for those years for which information is available.

**SAUGATUCK PUBLIC SCHOOLS
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE REPORTING UNIT'S PROPORTIONATE
SHARE OF THE NET OPEB LIABILITY
MICHIGAN PUBLIC SCHOOL EMPLOYEES RETIREMENT PLAN
LAST 10 FISCAL YEARS (DETERMINED AS OF PLAN YEAR ENDED SEPTEMBER 30)**

	<u>2018</u>	<u>2017</u>
Reporting Unit's proportion of net OPEB liability (%)	0.05226%	0.05513%
Reporting Unit's proportionate share of net OPEB liability	\$ 4,153,889	\$ 4,882,354
Reporting Unit's covered-employee payroll	\$ 4,497,148	\$ 4,553,848
Reporting Unit's proportionate share of net OPEB liability as a percentage of its covered-employee payroll	92.37%	107.21%
Plan fiduciary net position as a percentage of total OPEB liability (Non-university employers)	42.95%	36.39%

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10 year trend is compiled, the District presents information for those years for which information is available.

**SAUGATUCK PUBLIC SCHOOLS
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE REPORTING UNIT'S OPEB CONTRIBUTIONS
MICHIGAN PUBLIC SCHOOL EMPLOYEES RETIREMENT PLAN
LAST 10 FISCAL YEARS (DETERMINED AS OF THE YEAR ENDED JUNE 30)**

	<u>2019</u>	<u>2018</u>
Statutorily required contributions	\$ 381,469	\$ 429,240
Contributions in relation to statutorily required contributions	<u>381,469</u>	<u>429,240</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
Reporting Unit's covered-employee payroll	\$ 4,646,366	\$ 4,521,272
Contributions as a percentage of covered-employee payroll	8.21%	9.49%

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10 year trend is compiled, the District presents information for those years for which information is available.

**SAUGATUCK PUBLIC SCHOOLS
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2019**

Pension Information

Benefit changes - there were no changes of benefit terms in 2018.

Changes of assumptions - the assumption changes for 2018 were:

Wage inflation rate decreased to 2.75% from 3.50%.

Discount rate for MIP and Basic plans decreased to 7.05% from 7.50%.

Projected salary increases decreased to 2.75%-11.55%, including wage inflation at 2.75% from 3.50-12.30%, including wage inflation of 3.50%.

Mortality assumptions were updated to the RP-2014 Male and Female Healthy Annuitant table from the RP-2000 Combined Healthy Life Mortality table.

OPEB Information

Benefit changes - there were no changes of benefit terms in 2018.

Changes of assumptions - the assumption changes for 2018 were:

Wage inflation rate decreased to 2.75% from 3.50%.

Discount rate for decreased to 7.15% from 7.50%.

Projected salary increases decreased to 2.75%-11.55%, including wage inflation at 2.75% from 3.50-12.30%, including wage inflation of 3.50%.

Healthcare cost trend rate decreased to 7.50% Year 1 graded to 3.00% Year 12 from 7.50% Year 1 graded to 3.50% Year 12.

Mortality assumptions were updated to the RP-2014 Male and Female Healthy Annuitant table from the RP-2000 Combined Healthy Life Mortality table.

ADDITIONAL SUPPLEMENTARY INFORMATION

**SAUGATUCK PUBLIC SCHOOLS
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUND TYPES
JUNE 30, 2019**

	Special revenue		Capital projects				Total nonmajor funds
	Food service	Community recreation	2019 Building and site sinking fund	Capital Projects	Building and site sinking fund	2013 Bond capital projects	
ASSETS:							
Cash and cash equivalents	\$ 89,650	\$ 182,064	\$ 133,066	\$ -	\$ 281,027	\$ -	\$ 685,807
Receivables:							
Due from other funds	30,244	-	-	100,000	43,206	-	173,450
Inventories	1,700	-	-	-	-	-	1,700
Restricted - cash and cash equivalents	-	-	-	-	-	112,438	112,438
TOTAL ASSETS	\$ 126,880	\$ 182,064	\$ 133,066	\$ 100,000	\$ 324,233	\$ 112,438	\$ 978,681
LIABILITIES:							
Accounts payable	\$ 14,486	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 14,486
Due to other funds	-	-	-	-	3,306	-	3,306
Unearned revenue	8,712	-	-	-	-	-	8,712
TOTAL LIABILITIES	23,198	-	-	-	3,306	-	26,504
FUND BALANCES:							
Nonspendable for inventories	1,700	-	-	-	-	-	1,700
Restricted for food service	101,982	-	-	-	-	-	101,982
Restricted for community recreation	-	182,064	-	-	-	-	182,064
Restricted for capital projects	-	-	133,066	-	320,927	112,438	566,431
Assigned for capital projects	-	-	-	100,000	-	-	100,000
TOTAL FUND BALANCES	103,682	182,064	133,066	100,000	320,927	112,438	952,177
TOTAL LIABILITIES AND FUND BALANCES	\$ 126,880	\$ 182,064	\$ 133,066	\$ 100,000	\$ 324,233	\$ 112,438	\$ 978,681

SAUGATUCK PUBLIC SCHOOLS
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUND TYPES
JUNE 30, 2019

	Special revenue		Capital projects				Total nonmajor funds
	Food service	Community recreation	2019 Building and site sinking fund	Capital Projects	Building and site sinking fund	2013 Bond capital projects	
REVENUES:							
Local sources:							
Property taxes	\$ -	\$ 160,445	\$ 323,359	\$ -	\$ 97	\$ -	\$ 483,901
Food sales	84,187	-	-	-	-	-	84,187
Charges for services	-	35,690	-	-	-	-	35,690
Investment earnings	514	1,766	928	-	2,641	929	6,778
Other	1,621	751	-	-	-	-	2,372
State sources	15,858	908	1,816	-	-	-	18,582
Federal sources	193,478	-	-	-	-	-	193,478
Total revenues	<u>295,658</u>	<u>199,560</u>	<u>326,103</u>	<u>-</u>	<u>2,738</u>	<u>929</u>	<u>824,988</u>
EXPENDITURES:							
Current:							
Food service	243,973	-	-	-	-	-	243,973
Community recreation	-	159,176	-	-	-	-	159,176
Capital outlay	-	-	193,037	-	30,247	2,646	225,930
Total expenditures	<u>243,973</u>	<u>159,176</u>	<u>193,037</u>	<u>-</u>	<u>30,247</u>	<u>2,646</u>	<u>629,079</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>51,685</u>	<u>40,384</u>	<u>133,066</u>	<u>-</u>	<u>(27,509)</u>	<u>(1,717)</u>	<u>195,909</u>
OTHER FINANCING SOURCES (USES):							
Transfers in	-	-	-	100,000	-	-	100,000
Transfers out	(17,835)	(23,500)	-	-	-	-	(41,335)
Total other financing sources (uses)	<u>(17,835)</u>	<u>(23,500)</u>	<u>-</u>	<u>100,000</u>	<u>-</u>	<u>-</u>	<u>58,665</u>
NET CHANGE IN FUND BALANCES	<u>33,850</u>	<u>16,884</u>	<u>133,066</u>	<u>100,000</u>	<u>(27,509)</u>	<u>(1,717)</u>	<u>254,574</u>
FUND BALANCES:							
Beginning of year	69,832	165,180	-	-	348,436	114,155	697,603
End of year	<u>\$ 103,682</u>	<u>\$ 182,064</u>	<u>\$ 133,066</u>	<u>\$ 100,000</u>	<u>\$ 320,927</u>	<u>\$ 112,438</u>	<u>\$ 952,177</u>

**SAUGATUCK PUBLIC SCHOOLS
SCHEDULE OF BONDED DEBT SERVICE REQUIREMENTS
JUNE 30, 2019**

\$6,410,000 refunding bonds issued in 2015:

Principal due May 1,	Interest due		Debt service requirement for fiscal year	
	May 1,	November 1,	June 30,	Amount
\$ 770,000	\$ 36,708	\$ 36,708	2020	\$ 843,416
785,000	29,624	29,624	2021	844,248
800,000	22,402	22,402	2022	844,804
815,000	15,042	15,042	2023	845,084
820,000	7,544	7,544	2024	835,088
<u>\$ 3,990,000</u>	<u>\$ 111,320</u>	<u>\$ 111,320</u>		<u>\$ 4,212,640</u>

The bonds were approved by the Board of Education to be used for the purpose of refunding all or a portion of the District's outstanding 2005 refunding bonds. The bonds will carry an interest rate of 1.84%.

**SAUGATUCK PUBLIC SCHOOLS
SCHEDULE OF BONDED DEBT SERVICE REQUIREMENTS
JUNE 30, 2019**

\$8,640,000 refunding bonds issued in 2016:

Principal due May 1,	Interest due		Debt service requirement for fiscal year	
	May 1,	November 1,	June 30,	Amount
\$ 350,000	\$ 166,300	\$ 166,300	2020	\$ 682,600
400,000	159,300	159,300	2021	718,600
450,000	151,300	151,300	2022	752,600
500,000	142,300	142,300	2023	784,600
550,000	132,300	132,300	2024	814,600
1,435,000	121,300	121,300	2025	1,677,600
1,490,000	92,600	92,600	2026	1,675,200
1,550,000	62,800	62,800	2027	1,675,600
1,590,000	31,800	31,800	2028	1,653,600
<u>\$ 8,315,000</u>	<u>\$ 1,060,000</u>	<u>\$ 1,060,000</u>		<u>\$ 10,435,000</u>

The bonds were approved by the Board of Education to be used for the purpose of refunding all or a portion of the District's outstanding 2008 school building and site bonds. The bonds will carry an interest rate of 4.00%.

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

To the Board of Education
Saugatuck Public Schools

We have audited, 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, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Saugatuck Public Schools as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Saugatuck Public Schools' basic financial statements and have issued our report thereon dated September 4, 2019.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Maney Costeiran PC

September 4, 2019

**SAUGATUCK PUBLIC SCHOOLS
SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED JUNE 30, 2019**

Financial Statement Finding

Finding 2018-001 - Change in Financial Statement Classification (Material Weakness)

Condition: Management identified certain payments on a boiler as well as sinking fund audit fees previously classified as general fund expenditures as allowable expenditures for the sinking fund. This change in classification resulted in a prior period adjustment to the fund balance of the general fund and the sinking fund.

Criteria: *Government Auditing Standards* requires us to communicate in writing when a change in financial statement classification represents a correction of a previous misstatement.

Cause: This condition was the result of the sinking fund being established after the District entered into the boiler agreement. As a result, the boiler payments and audit fees were set-up to be paid out of the general fund, and management did not go back and determine that they could be paid out of the sinking fund going forward when the sinking fund was subsequently established.

Effect: The fund balance of the general fund was understated and the fund balance of the sinking fund was overstated throughout the course of the installment note.

Recommendation: Management should continue to evaluate capital expenditures in order to determine the appropriate fund to which they should be charged.

View of Responsible Officials: Management contracted with the Intermediate School District for the services of a Director of Finance who was able to determine that the expenditures were incorrectly classified in previous years as general fund expenditures. The District will continue to evaluate capital expenditures in order to ensure that they are charged to the appropriate fund.

Status: As of the fiscal year ended June 30, 2019, this finding has been resolved.