

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

**FINANCIAL STATEMENTS**  
**JUNE 30, 2023**



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

PELLSTON PUBLIC SCHOOLS  
PELLSTON, MICHIGAN  
TABLE OF CONTENTS

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	<u>PAGE</u>
<b>ADMINISTRATION BOARD LIST</b>	<b>1</b>
<b>INDEPENDENT AUDITORS' REPORT</b>	<b>2 - 4</b>
<b>MANAGEMENT'S DISCUSSION AND ANALYSIS</b>	<b>5 - 15</b>
<b>BASIC FINANCIAL STATEMENTS:</b>	
District-wide Financial Statements:	
Statement of Net Position	16
Statement of Activities	17
Fund Financial Statements:	
Balance Sheet - Governmental Funds	18
Reconciliation of Governmental Fund Balances to District-wide Governmental Activities Net Position	19
Statement of Revenues, Expenditures, and Changes in Fund Balances	20
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	21
Fiduciary Funds:	
Statement of Fiduciary Net Position	22
Statement of Changes in Fiduciary Net Position	23
Notes to Financial Statements	24 - 49
<b>REQUIRED SUPPLEMENTARY INFORMATION</b>	
Budgetary Comparison Schedule	
General Fund	50
Schedule of the Reporting Unit's Proportionate Share of the Net Pension Liability	51
Schedule of the Reporting Unit's Contributions	52
Schedule of the Reporting Unit's Proportionate Share of the Net OPEB Liability	53
Schedule of the Reporting Unit's OPEB Contributions	54
Notes to Required Supplementary Information - Pension & OPEB	55
<b>ADDITIONAL SUPPLEMENTARY INFORMATION</b>	
Combining Balance Sheet - Nonmajor Governmental Funds	56
Combining Statement of Revenues, Expenditures and Changes in Fund Balance - Nonmajor Governmental Funds	57
Schedule of Outstanding Bonded Indebtedness	58
Schedule of Expenditures of Federal Awards	59 - 60
Notes to Schedule of Expenditures of Federal Awards	61
Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Governmental Auditing Standards</i>	62
Independent Auditors' Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance	63 - 64
Schedule of Findings and Questioned Costs	65
Schedule of Prior Year Audit Findings	66

PELLSTON PUBLIC SCHOOLS  
PELLSTON, MICHIGAN  
ADMINISTRATION BOARD LIST  
JUNE 30, 2023

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ADMINISTRATION

SUPERINTENDENT

STEPHEN SEELYE

BOARD OF EDUCATION

PRESIDENT

JAMES MILBRANDT

VICE PRESIDENT

ROBERT THOMSON

TREASURER

MARK ZINK

SECRETARY

KRISTEN BAUER-FRYE

TRUSTEE

BRYAN SEARLES

TRUSTEE

SERENITY DANKERT

TRUSTEE

STEPHANIE BROMLEY

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## INDEPENDENT AUDITORS' REPORT

Board of Education  
Pellston Public Schools

### **Opinions**

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of **Pellston Public Schools** as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise **Pellston Public Schools'** basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the major fund, and the aggregate remaining fund information of **Pellston Public Schools** as of June 30, 2023, 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.

### **Basis for Opinions**

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. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of **Pellston Public Schools** and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### **Change in Accounting Principle**

As discussed in Note 13 to the financial statements, in 2023 the District adopted new accounting guidance, GASB Statement No. 96, *Subscription-based IT Arrangements*. Our opinions are not modified with respect to this matter.

### **Responsibilities of Management for the Financial Statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about **Pellston Public Schools'** ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

## ***Auditors' Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 **Pellston Public Schools'** internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about **Pellston Public Schools'** ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

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

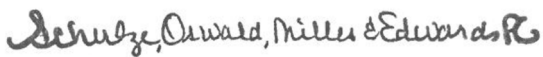
Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and other required supplementary information, as identified in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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.

## **Supplementary Information**

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise **Pellston Public Schools'** basic financial statements. The accompanying additional supplementary information, as identified in the table of contents, including the schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such 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 information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the additional supplementary information, including the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic 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 August 22, 2023, on our consideration of **Pellston Public Schools'** internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of **Pellston Public Schools'** internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering **Pellston Public Schools'** internal control over financial reporting and compliance.



Schulze, Oswald, Miller & Edwards PC  
Alpena, Michigan  
August 22, 2023

Pellston Public Schools (the “District”), a K-12 school district located in Pellston, Michigan.

**FINANCIAL HIGHLIGHTS**

Below is a table showing the fund balances for the past ten years.

<b>General Fund</b>		
<u>Date</u>	<u>Fund Balance</u>	<u>Change</u>
June 30, 2014	456,804	(30,499)
June 30, 2015	785,500	328,696
June 30, 2016	922,936	137,436
June 30, 2017	1,062,549	139,613
June 30, 2018	1,240,630	178,081
June 30, 2019	1,309,156	68,526
June 30, 2020	1,535,568	226,412
June 30, 2021	1,807,225	271,657
June 30, 2022	1,702,851	(104,374)
June 30, 2023	\$ 2,019,359	316,508

\* The 2019 fund balance figure has not been updated for the adoption of GASB 84.

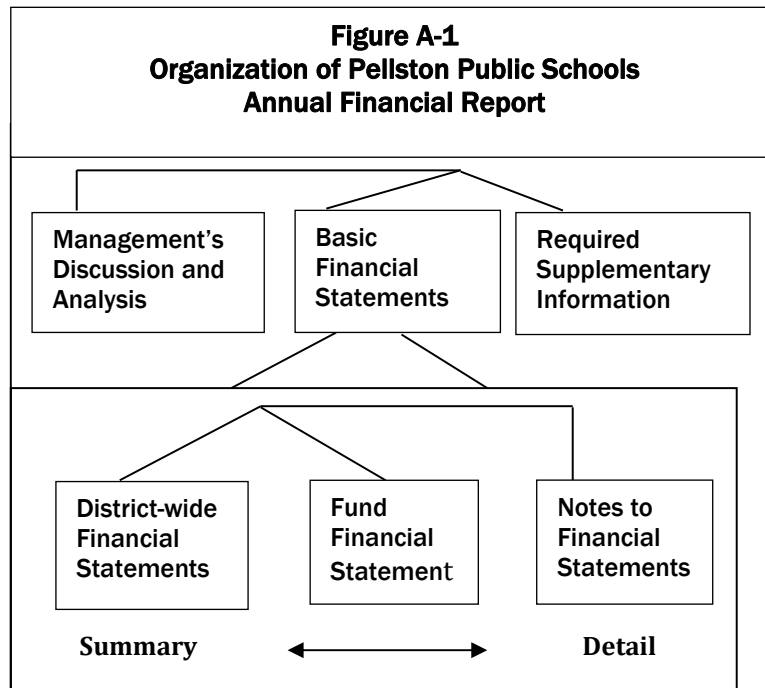
In 2022-23 the total general fund revenues were approximately \$8.03 million dollars with expenditures of approximately \$7.85 million dollars. In 2021-22 the total general fund revenues exceeded \$7.75 million dollars with expenditures approximately \$7.83 million dollars. General fund revenues increased from the 2021-22 school year due to an increase in revenues from state and local sources. General fund expenditures increased compared to the previous year due to an increase in spending on instruction and supporting services with the additional state received. The State Legislature also allocated additional funds to school districts to put more funds into the school employee pension plan to address the underfunded balance of the retirement fund which also increased expenses and revenues.

The food service fund finished the fiscal year with a decrease in fund balance of \$16,152 largely due to a decrease in federal revenues to reimburse the District for the seamless summer option meals provided to community students for the entire fiscal year. Food service finished the year with a fund balance of approximately \$171,000.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

This annual report consists of three parts - management’s discussion and analysis (this section), the basic financial statements and the required supplementary information. The basic financial statements include two kinds of statements that present different views of the District:

- The first two statements are *District-wide financial statements* that provide both *short-term* and *long-term* information about the District’s *overall* financial status.



- The remaining statements are *fund financial statements* that focus on *individual parts* of the District, reporting the District's operations *in more detail* than the District-wide statements.
- The *governmental funds* statements tell how *basic* services like general education and supporting services were financed in the *short-term* as well as what remains for future spending.

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the financial statements with a comparison of the District's budget for the year as well as required schedules related to the net pension and net OPEB liabilities. Figure A-1 shows how the various parts of this annual report are arranged and related to one another.

<b>Figure A-2 Major Features of District-wide and Fund Financial Statements</b>		
Category	District-wide Statements	Fund Financial Statements
		Governmental Funds
Scope	* Entire District	* The activities of the District that are not proprietary or fiduciary, such as general education and building maintenance.
Required financial statements	* Statement of net position * Statement of activities	* Balance sheet * Statement of revenues, expenditures, and changes in fund balances
Accounting basis and measurement focus	* Accrual accounting and economic resources focus	* Modified accrual accounting and current financial resources focus
Type of asset/liability information	* All assets and liabilities, both financial and capital, short-term and long-term	* Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included
Type of inflow/outflow information	* All revenues and expenses during year, regardless of when cash is received or paid	* Revenues for which cash is received during or soon after the end of the year, expenditures when goods or services have been received and the related liability is due and payable

Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain. The remainder of this overview section of management’s discussion and analysis highlights the structure and contents of each of the statements.

**DISTRICT-WIDE FINANCIAL STATEMENTS**

All of the District's assets, deferred outflows of resources, deferred inflows of resources, liabilities, and classifications of net position are reported in the District-wide financial statements and are on a full accrual basis that is similar to those used by private-sector companies. For example, capital assets and long-term obligations of the District are reported in the statement of net position of the District-wide financial statements. The difference between the District's assets, deferred outflows of resources, deferred inflows of resources and liabilities (net position) are one way to measure the District's financial position. However, you need to consider other non-financial factors such as changes in the District's property tax base and the condition and age of the school buildings and other facilities.

The current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid. Most of the District's basic services are included here, such as regular education, maintenance, transportation, and administration. These activities are financed through the state foundation grant, property taxes, and various federal and state programs.

The District's combined net position at the beginning of the fiscal year was (\$3,779,201) and on June 30, 2023, it is (\$730,076) which represents an increase of \$3,049,125 as recorded in the statement of activities.

**FUND FINANCIAL STATEMENTS**

The fund financial statements are reported on a modified accrual basis and consist of governmental funds. Governmental funds include most of the District's basic services which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending on future District programs. Some of these funds are established by State law and by bond restrictions while others can be established for the District to control and manage money for a particular purpose such as food service, community recreation, and student/school activities.

**FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE**

**Net position** - The District's combined net deficit increased as of June 30, 2023.

<b>Table A-3</b>		
<b>Pellston Public School's Net Position</b>		
	<b>2022</b>	<b>2023</b>
Current assets	\$ 3,207,123	\$ 4,166,340
Capital assets	4,015,036	5,489,865
Total assets	7,222,159	9,656,205
Deferred outflows of resources	2,253,704	5,185,900
Long-term debt outstanding	232,425	340,496
Net pension liability	7,259,587	11,938,715
Net other postemployment benefits liability	477,179	678,163
Other liabilities	1,010,141	1,183,876
Total liabilities	8,979,332	14,141,250
Deferred inflows of resources	4,261,975	1,430,931
Net position		
Net investment in capital assets	3,820,036	5,263,400
Restricted for public improvement	-	479,665
Restricted for debt service	115,596	163,996
Restricted for special revenue (food service)	187,560	194,797
Restricted for special revenue (school store)	2,455	-
Unrestricted	(7,891,091)	(6,831,934)
Total net position	\$ (3,765,444)	\$ (730,076)

	<u>2022</u>	<u>2023</u>
<b>Revenues</b>		
<b>Program revenues</b>		
Charges for services	\$ 62,904	\$ 123,298
Operating grants and contributions	1,374,724	980,914
Capital grants and contributions	168,010	1,556,985
<b>General revenues</b>		
Property taxes	4,827,382	4,285,016
Investment earnings	5,779	50,418
Local sources	-	21,061
Federal sources	1,916,426	1,579,908
State sources	1,836,245	2,547,388
Intermediate sources	23,817	278,893
Student activities	-	33,404
Other	85,876	3,463
<b>Total revenues</b>	<u>10,301,163</u>	<u>11,460,748</u>
<b>Expenses</b>		
Instruction	4,312,740	4,442,050
Support services	2,249,530	2,586,601
Community services	198,719	-
Student / school activities	190,114	313,587
Outgoing transfers and other	-	-
Food services	716,346	832,561
Interest on long-term debt	42,568	9,518
Athletics	-	227,306
<b>Total expenses</b>	<u>7,710,017</u>	<u>8,411,623</u>
<b>Change in net position</b>	<u>\$ 2,591,146</u>	<u>\$ 3,049,125</u>

**STATE OF MICHIGAN UNRESTRICTED AID (State Foundation Grant)**

The State of Michigan aid, unrestricted, is determined with the following variables:

- a. The Michigan State Aid Act per student foundation allowance which was established under Proposal A has increased from \$4,561 per student in 1995 to \$9,150 per student in 2022-23. The per student State foundation allowance increased in the current year when compared to 2021-22. The previous years' foundation allowances paid to the districts were \$8,111 in 2020-21 and \$8,700 2021-22.
- b. The District's non-homestead levy for 2021-22 was 17.4060 mills which the voters approved in September of 2022.

**Student Enrollment**

Student enrollment remained relatively consistent, increasing from 450 in 2021-22 to 442 in 2022-23. For the 2023-24 school year it is hopeful that enrollment will remain the same as 2022-23. For conservative budgeting purposes, the 2023-24 budget projects a decrease in enrollment of 10 students.

**GOVERNMENTAL FUNDS**

**Results of Operations**

For the fiscal years ended June 30, 2023, and 2022, the total fund-level results of operations were:

	2022	2023
<b>Revenues</b>		
Local sources		
Property Taxes	\$ 4,999,022	\$ 4,285,016
Investment earnings	-	-
Food sales, athletics, tuition, student/ school activities, and transportation	286,162	414,178
Other	-	73,731
<b>Total local sources</b>	<b>5,285,184</b>	<b>4,772,925</b>
State sources	1,859,006	2,564,652
Federal sources	1,927,958	1,588,213
Intermediate sources	1,229,015	977,974
Transfers in	-	9,291
Loan proceeds	-	141,501
<b>Total Revenues</b>	<b>\$ 10,301,163</b>	<b>\$ 10,054,556</b>
<b>Expenditures</b>		
Current		
Instruction	4,697,639	4,968,241
Supporting services	1,905,604	2,453,048
Food service activities	760,764	832,561
Student/school activities	388,833	313,587
Athletics	-	227,306
Capital outlay	-	359,296
Debt service		
Principal	910,000	82,470
Interest expense	49,704	10,189
Payment to refunded bond escrow agent	-	-
Other	1,703,172	-
Transfers out	-	9,291
<b>Total Expenditures</b>	<b>\$ 10,415,716</b>	<b>\$ 9,255,989</b>

The following summarizes the revenues and expenses by comparing fiscal year 2023 to 2022 as shown in the above table.

- State sources increased due to the foundation allowance but also due to additional funds for a one-time pension pay down.

- Federal sources decreased due to less funding received in the Child Nutrition Cluster for the National School Lunch and National School Breakfast programs provided to community students as well as the Education Stabilization Funds that were used for expenditures in response to the COVID-19 pandemic.
- Expenses decreased from \$10.42 million in 2022 to \$9.26 million in the current year, a decrease of \$1,159,727. The decrease in expenditure was mainly due to a decrease in debt expense for the year. The District expensed \$910,000 in 2022 compared to \$82,470 in 2023.

The Pellston Public School District voters approved the 18-mill renewal in May 2018. The State of Michigan allows each school district to levy 18 mills on Non-PRE property, formally known as non-homestead property, and the foundation grant is calculated after the 18 mills. The approval of this renewal resulted in over \$4 million in revenue for the District in fiscal year 2022-23.

Following is a table showing the past ten years of property taxes collected on Non-PRE property, formerly known non-homestead property.

Fiscal Year	Levy	Mills
2022 - 2023	\$ 4,285,016	17.4060
2021 - 2022	4,999,022	18.0000
2020 - 2021	3,318,609	18.0000
2019 - 2020	3,259,172	18.0000
2018 - 2019	3,257,061	18.0000
2017 - 2018	3,148,269	18.0000
2016 - 2017	3,088,078	18.0000
2015 - 2016	3,001,736	18.0000
2014 - 2015	2,967,031	18.0000
2013 - 2014	3,000,255	18.0000

**GENERAL FUND AND BUDGET HIGHLIGHTS**

**Original vs. Final Budget**

The Uniform Budget Act of the State of Michigan requires that the local Board of Education approve the original budget for the upcoming fiscal year prior to July 1, the start of the fiscal year. The original 2022 - 23 budget was approved in June 2022.

The 2022 - 2023 budget was revised throughout the fiscal year, with the final revision approved in June 2023. The final budget revision anticipated higher revenues and higher expenses than was expected in June 2022 when the original budget was approved. The increase in budgeted revenues and expenditures was due to significantly more favorable funding received during the current year than was originally anticipated at the time that the original budget was approved in June of 2022.

**CAPITAL ASSET AND DEBT ADMINISTRATION**

**Capital Assets**

By the end of 2023, the District had invested \$5.49 million in a broad range of capital assets.

	<b>2023</b>			<b>*2022</b>
	<b>Cost</b>	<b>Accumulated Depreciation</b>	<b>Net Book Value</b>	<b>Net Book Value</b>
Land	\$ 435,000	\$ -	\$ 435,000	\$ 435,000
Construction in progress	-	-	-	-
Buildings and additions	15,307,948	12,539,002	2,768,946	2,945,915
Land improvements	113,220	76,274	36,946	-
Computer and office equipment	2,145,543	1,780,510	365,033	408,368
Right to use - subscription-based IT	141,500	45,036	96,464	-
Transportation equipment	2,262,436	474,961	1,787,475	225,753
<b>Total</b>	<b>\$ 20,405,647</b>	<b>\$ 14,915,783</b>	<b>\$ 5,489,864</b>	<b>\$ 4,015,036</b>

\*2022 figures have not been updated for the adoption of GASB 96.

**LONG-TERM OBLIGATIONS**

The District currently has a 2011 Bond issue with an outstanding balance of \$130,000. Additional information on the District's long-term debt can be found in Note 5 of this report.

	<b>2022</b>	<b>2023</b>
General obligation bonds - net	\$ 195,000	\$ 130,000
Limited obligation bonds	-	-
Compensated absences	37,425	86,465
Notes from direct borrowings and direct placements	-	-
	<b>\$ 232,425</b>	<b>\$ 216,465</b>

**FACTORS BEARING ON THE DISTRICT'S FUTURE**

There are several factors that could significantly affect the financial health of the District in the future.

- For the past three years Pellston Public Schools have received considerable amounts of Federal and State COVID funds which were used to increase and provide not only pandemic-related needs but also additional instructional support. Due to the elimination of these funds, the District will be faced with decisions as to either how to fund these additional supports or what programs and supports will have to be reduced or eliminated.
- Pellston Public Schools will be receiving an increase of \$458 (from \$9,150 to \$9,608) per pupil state aid funding for the 2023-24 school year. This increase has helped us to re-align the bottom of our teacher's pay scale, along with the pay scale minimums for our support staff to a more competitive wage. This will help us to retain the staff that we currently have and allow us to recruit new employees. This is especially important with our teacher recruitment because the pool of new teachers is shrinking at a rapid pace, and it is getting more difficult to attract new teachers.
- Like many school districts in Michigan, Pellston Public Schools faced declining enrollment for several years. Now the district's enrollment has begun to stabilize, however in doing so, the district benefits longer from the State Aid 3-year blended count. While student count may be staying level, the cost to educate each student has increased.

**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 revenues it receives. If you have any questions about this report or need any additional information, please contact Pellston Public Schools, Superintendents of Schools, 172 W. Park Street, Pellston, MI 49769.

PELLSTON PUBLIC SCHOOLS  
PELLSTON, MICHIGAN  
DISTRICT-WIDE STATEMENTS  
STATEMENT OF NET POSITION  
JUNE 30, 2023

	GOVERNMENTAL ACTIVITIES
<b><u>Assets</u></b>	
Cash and cash equivalents	\$ 2,042,763
Investments	1,301,053
Due from other governmental units	781,100
Inventories	32,875
Prepaid expenses	8,549
Capital assets not being depreciated	435,000
Capital assets, net of accumulated depreciation/amortization	4,958,400
Subscription asset, net of accumulated depreciation/amortization	96,465
<b>TOTAL ASSETS</b>	<b>9,656,205</b>
<b><u>DEFERRED OUTFLOW OF RESOURCES</u></b>	
Related to pensions	4,121,705
Related to other postemployment benefits	1,064,195
<b>TOTAL DEFERRED OUTFLOW OF RESOURCES</b>	<b>5,185,900</b>
<b><u>LIABILITIES</u></b>	
<b><u>Payables</u></b>	
Accounts payable	25,225
Due to other governments	159,128
Due to scholarships	1,501
Accrued interest	1,026
Accrued salaries and related items	481,536
Unearned revenue	515,460
<b><u>Noncurrent liabilities</u></b>	
Due within one year	65,000
Due in more than one year	151,465
Net pension liability	11,938,715
Net other postemployment benefits liability	678,163
Subscriptions - due within one year	23,686
Subscriptions - due in more than one year	100,345
<b>TOTAL LIABILITIES</b>	<b>14,141,250</b>
<b><u>DEFERRED INFLOWS OF RESOURCES</u></b>	
Related to pensions	31,873
Related to other postemployment benefits	1,399,058
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>1,430,931</b>
<b><u>NET POSITION</u></b>	
Net investment in capital assets	5,263,400
Restricted for public improvement	479,665
Restricted for debt service	163,996
Restricted for food service	194,797
Restricted for school store	-
Unrestricted	(6,831,934)
<b>TOTAL NET POSITION</b>	<b>\$ (730,076)</b>

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

PELLSTON PUBLIC SCHOOLS  
PELLSTON, MICHIGAN  
DISTRICT-WIDE FINANCIAL STATEMENTS  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2023

<u>Functions/Programs</u>	<u>PROGRAM REVENUES</u>				<u>GOVERNMENTAL ACTIVITIES</u>
	<u>EXPENSES</u>	<u>CHARGES FOR SERVICES</u>	<u>OPERATING GRANTS</u>	<u>CAPITAL GRANTS</u>	<u>NET (EXPENSE) REVENUE AND CHANGES IN NET POSITION</u>
<b>Governmental Activities</b>					
Instruction	\$ 4,442,050	\$ -	\$ 481,413	\$ -	(3,960,637)
Support services	2,586,601	6,248	245,630	1,556,985	(777,738)
Community services	-	-	-	-	-
Food services	832,561	37,483	17,264	-	(777,814)
Student/school activities	313,587	57,677	236,607	-	(19,303)
Athletics	227,306	21,890	-	-	(205,416)
Interest on long term debt	9,518	-	-	-	(9,518)
<b>Total Governmental Activities</b>	<b>\$ 8,411,623</b>	<b>\$ 123,298</b>	<b>\$ 980,914</b>	<b>\$ 1,556,985</b>	<b>\$ (5,750,426)</b>
<b>General Revenues</b>					
Property taxes, levied for general purposes					3,566,641
Property taxes, levied for debt service					156
Property taxes, levied for capital projects					718,219
Investment earnings					50,418
Local sources					21,061
State sources					2,547,388
Federal sources					1,579,908
Intermediate sources					278,893
Student activities					33,404
Other					3,463
<b>Total General Revenues</b>					<b>8,799,551</b>
<b>Change in Net Position</b>					<b>3,049,125</b>
<b>Net position - Beginning of Year, as restated</b>					<b>(3,779,201)</b>
<b>Net position - End of Year</b>					<b>\$ (730,076)</b>

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

PELLSTON PUBLIC SCHOOLS  
PELLSTON, MICHIGAN  
FUND FINANCIAL STATEMENTS  
BALANCE SHEET - GOVERNMENTAL FUNDS  
JUNE 30, 2023

	GENERAL	CAPITAL PROJECTS SINKING FUND	NONMAJOR GOVERNMENTAL FUNDS	TOTALS
<b>ASSETS</b>				
Cash and cash equivalents	\$ 1,206,722	\$ 479,665	\$ 356,376	\$ 2,042,763
Investments	1,213,500	-	87,553	1,301,053
Receivables				
Accounts receivable	-	-	-	-
Intergovernmental	728,740	-	52,360	781,100
Prepaid expense	8,549	-	-	8,549
Inventories	21,148	-	11,727	32,875
Due from other funds	10,674	-	-	10,674
<b>TOTAL ASSETS</b>	<b>3,189,333</b>	<b>479,665</b>	<b>508,016</b>	<b>4,177,014</b>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>LIABILITIES:</b>				
Accounts payable	24,520	-	705	25,225
Due to other funds	-	-	10,674	10,674
Due to other governments	159,128	-	-	159,128
Due to scholarships	-	-	1,501	1,501
Accrued salaries and related items	480,819	-	717	481,536
Unearned revenue	505,507	-	9,953	515,460
<b>TOTAL LIABILITIES</b>	<b>1,169,974</b>	<b>-</b>	<b>23,550</b>	<b>1,193,524</b>
<b>FUND BALANCES:</b>				
Nonspendable				
Inventories	21,148	-	11,727	32,875
Restricted for:				
Debt service	-	-	163,997	163,997
Food service	-	-	159,682	159,682
School store	-	-	-	-
Public improvement	-	479,665	-	479,665
Committed for student/school activities	-	-	149,060	149,060
Assigned for subsequent years' expenditures	-	-	-	-
Unassigned	1,998,211	-	-	1,998,211
<b>TOTAL FUND BALANCES</b>	<b>2,019,359</b>	<b>479,665</b>	<b>484,466</b>	<b>2,983,490</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<b>\$ 3,189,333</b>	<b>\$ 479,665</b>	<b>\$ 508,016</b>	<b>\$ 4,177,014</b>

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

PELLSTON PUBLIC SCHOOLS  
 PELLSTON, MICHIGAN  
 FUND FINANCIAL STATEMENTS  
 BALANCE SHEET - GOVERNMENTAL FUNDS  
 JUNE 30, 2023

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Fund Balances - Total Governmental Funds		\$ 2,983,490
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Amounts reported for governmental activities in the statement of net position are different because:

Deferred outflows of resources - related to pensions		4,121,705
Deferred inflows of resources - related to pensions		(31,873)
Deferred outflows of resources - related to other postemployment benefits		1,064,195
Deferred inflows of resources - related to other postemployment benefits		(1,399,058)

Capital assets used in governmental activities are not financial resources and are not reported in the funds

The cost of the capital assets is	\$ 20,636,647	
Accumulated depreciation/ amortization is	<u>(15,146,782)</u>	5,489,865

Long-term liabilities are not due and payable in the current period and are not reported in the funds

General obligations bonds		(130,000)
Direct borrowing and direct placement		(124,031)
Compensated absences		(86,465)
Accrued interest		(1,026)
Net pension liability		(11,938,715)
Net other postemployment benefits liability		<u>(678,163)</u>

<b>Net position of governmental activities</b>		<b><u>\$ (730,076)</u></b>
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PELLSTON PUBLIC SCHOOLS  
PELLSTON, MICHIGAN  
FUND FINANCIAL STATEMENTS  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2023

	CAPITAL PROJECTS		OTHER GOVERNMENTAL FUNDS	TOTALS
	GENERAL	SINKING FUND		
<b>REVENUES:</b>				
Local sources				
Property taxes	\$ 3,566,641	\$ 718,219	\$ 156	\$ 4,285,016
Food sales	-	-	37,484	37,484
Student/school activities	45,543	-	331,151	376,694
Other	72,701	389	641	73,731
<b>Total local sources</b>	<b>3,684,885</b>	<b>718,608</b>	<b>369,432</b>	<b>4,772,925</b>
State sources	2,507,266	-	57,386	2,564,652
Federal sources	860,445	-	727,768	1,588,213
Intermediate school districts	977,974	-	-	977,974
<b>TOTAL REVENUES</b>	<b>8,030,570</b>	<b>718,608</b>	<b>1,154,586</b>	<b>9,903,764</b>
<b>EXPENDITURES:</b>				
Current				
Basic programs	3,684,584	-	-	3,684,584
Added needs	1,150,102	-	-	1,150,102
Career and technical education	75,371	-	-	75,371
Pupil support services	156,870	-	-	156,870
Improvement of instruction	58,184	-	-	58,184
General administration	275,497	-	-	275,497
School administration	465,263	-	-	465,263
Business services	184,657	-	-	184,657
Operation & maintenance	753,260	144,816	-	898,076
Pupil transportation	326,476	-	-	326,476
Other central services	145,163	-	1,046	146,209
Athletics	227,306	-	-	227,306
Capital outlay	254,170	98,782	6,344	359,296
Debt service				
Principal repayment	79,137	3,333	-	82,470
Interest	10,189	-	-	10,189
Student activities expense	-	-	313,587	313,587
Food service	-	-	832,561	832,561
<b>TOTAL EXPENDITURES</b>	<b>7,846,229</b>	<b>246,931</b>	<b>1,153,538</b>	<b>9,246,698</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>184,341</b>	<b>471,677</b>	<b>1,048</b>	<b>657,066</b>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers in	7,948	-	1,343	9,291
Transfers out	(1,343)	(7,948)	-	(9,291)
Loan proceeds	-	-	-	-
Payment to refunded bond escrow agent	-	-	-	-
Proceeds from subscription-based IT arrangements	125,565	15,936	-	141,501
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>132,170</b>	<b>7,988</b>	<b>1,343</b>	<b>141,501</b>
<b>NET CHANGES IN FUND BALANCES</b>	<b>316,511</b>	<b>479,665</b>	<b>2,391</b>	<b>798,567</b>
FUND BALANCES - Beginning of year, as restated	1,702,848		482,075	2,184,923
<b>FUND BALANCES - End of year</b>	<b>\$ 2,019,359</b>	<b>\$ 479,665</b>	<b>\$ 484,466</b>	<b>\$ 2,983,490</b>

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

PELLSTON PUBLIC SCHOOLS  
PELLSTON, MICHIGAN  
FUND FINANCIAL STATEMENTS  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND  
BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2023

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<b>Net Change in Fund Balances - Total Governmental Funds</b>	<b>\$</b>	<b>798,567</b>
<p>Amounts reported for governmental activities in the statement of activities are different because:</p>		
<p>Government funds report capital outlays as expenditures. In the statement of activities, these costs are allocated over their estimated useful lives as depreciation/ amortization</p>		
Depreciation/ amortization expense		(441,452)
Capital Outlay		359,296
Capital assets received as a grant - Bus		1,556,985
<p>Accrued interest on bonds is recorded in the statement of activities when incurred; it is not recorded in governmental funds until it is paid</p>		
		672
<p>The issuance of long-term debt (e.g. bonds) provides current financial resources to governmental funds, while the repayment of principal of long-term debt consumes the current financial resources of governmental funds. Neither transactions, however, has any effect 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:</p>		
Proceeds from bonded debt		-
Proceeds from leases		-
Payments to refunded bond escrow agent		-
Payments on bonded debt		65,000
Payments on notes from direct borrowings and direct placement		-
Amortization of deferred charges on refunding		-
Amortization of bond premium		-
Payment of subscription-based IT arrangements		17,470
Proceeds from subscription-based IT arrangements		(141,501)
<p>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</p>		
		(49,040)
<p>Some revenues and 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</p>		
Pension related items		219,369
Other postemployment benefits related items		663,759
<b>Change in Net Position of Governmental Activities</b>	<b>\$</b>	<b><u>3,049,125</u></b>

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

PELLSTON PUBLIC SCHOOLS  
PELLSTON, MICHIGAN  
FIDUCIARY FUND  
STATEMENT OF FIDUCIARY NET POSITION  
JUNE 30, 2023

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	<u>2023</u>
<b><u>ASSETS</u></b>	
Cash	\$ <u>1,501</u>
 TOTAL ASSETS	 \$ <u><u>1,501</u></u>
 <b><u>LIABILITIES</u></b>	
Deposits held for others	\$ <u>-</u>
 TOTAL LIABILITIES	 <u>-</u>
 <b>NET POSITION</b>	
Restricted for scholarships	\$ <u><u>1,501</u></u>

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

**PELLSTON PUBLIC SCHOOLS**  
**PELLSTON, MICHIGAN**  
**FIDUCIARY FUND**  
**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION**  
**JUNE 30, 2023**

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<u>ADDITIONS</u>	<u>FIDUCIARY FUNDS</u>
Scholarship income	\$ -
Investment earnings	-
<b>TOTAL ADDITIONS</b>	<b>\$ -</b>
<u>DEDUCTIONS</u>	
Payments made on behalf of scholarships	\$ 3,101
Other disbursements	-
<b>TOTAL DEDUCTIONS</b>	<b>3,101</b>
<u>NET POSITION</u>	
BEGINNING OF YEAR	4,602
END OF YEAR	<b>\$ 1,501</b>

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

PELLSTON PUBLIC SCHOOLS  
PELLSTON, MICHIGAN  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2023

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

**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, if any, are reported only in the fund financial statements. *Governmental activities* normally are supported by taxes, intergovernmental revenues, and other nonexchange transactions.

**Reporting Entity**

Pellston Public Schools (the “District”) is governed by the Pellston Public School 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.

**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.

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

**Basis of Presentation - Fund Financial Statements**

The fund financial statements provide information about the District’s funds. 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.

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 *Capital Projects Funds* are used to record bond proceeds or other revenue and expenditures related to invoices specifically designated for constructing new facilities, renovating, and improving existing facilities. The fund operates until the purpose for which it is created is accomplished.

***Other Nonmajor Funds***

*Debt Funds – 2008* are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest.

The special revenue funds accounts 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, student store, and student activities in the special revenue funds.

PELLSTON PUBLIC SCHOOLS  
PELLSTON, MICHIGAN  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2023

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

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

**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*. 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.

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

PELLSTON PUBLIC SCHOOLS  
PELLSTON, MICHIGAN  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2023

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

**Measurement Focus and Basis of Accounting (continued)**

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 due from other governmental units.

The District also receives revenue from the state to administer certain categorical education programs. State rules require that revenue earmarked for these programs be used for its specific purpose. Certain governmental funds require an accounting to the state of the expenditures incurred. For categorical funds meeting this requirement, funds received 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.

**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:

- a. 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.
- b. Public hearings are conducted to obtain taxpayer comments.
- c. 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.
- d. 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.
- e. The budget was amended twice during the year. The final budget was approved prior to the June 30, 2023 year-end with more than originally expected revenues and appropriations due to previous uncertainty in state and federal funding when the original budget was adopted. Although the district does consider these amendments to be significant, they were deemed necessary due to considerable uncertainty at the time the original budget was adopted.

PELLSTON PUBLIC SCHOOLS  
PELLSTON, MICHIGAN  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2023

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

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

*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.

*Investments*

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

- a. Bonds, securities, and other obligations of the United States or an agency or instrumentality of the United States.
- b. Certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank which is a member of the Federal Deposit Insurance Corporation (FDIC) or a savings and loan association which is a member of the Federal Savings and Loan Insurance Corporation (FSLIC) or a credit union which is insured by the National Credit Union Administration (NCUA), but only if the bank, savings and loan association, or credit union is eligible to be a depository of surplus funds belonging to the State under section 5 or 6 of Act No. 105 of the Public Acts of 1855, as amended, being Section 21.145 and 21.146 of the Michigan Compiled Laws.
- c. 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.
- d. The United States government or federal agency obligations repurchase agreements.
- e. Bankers' acceptances of United States banks.
- f. Mutual funds composed of investment vehicles, which are legal for direct investment by local units of government in Michigan.

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

*Inventories and Prepaid Items*

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.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

*Capital Assets*

Capital assets, which include land, construction in progress, building and additions, land improvements, computer and office equipment, outdoor equipment, and transportation equipment 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 two years. 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.

PELLSTON PUBLIC SCHOOLS  
PELLSTON, MICHIGAN  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2023

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

**Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance (continued)**

Land and construction in progress, if any, are not depreciated. Right to use assets of the District are amortized using the straight-line method over the shorter of the lease period or the estimated useful lives. The other capital assets of the District are depreciated using the straight-line method over the following estimated useful lives:

<u>Capital Asset Classes</u>	<u>Lives</u>
Building and Additions	20 - 50 years
Land Improvements	5 - 20 years
Computer and Office Equipment	5 - 10 years
Right to use - Leased Equipment	5 - 7 years
Right to use - subscription-based IT	5 - 7 years
Outdoor Equipment	5 - 20 years
Transportation Equipment	10 years
Right to use - Leased Transportation Equipment	5 - 7 years

***Defined Benefit Plans***

For purposes of measuring the net pension 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.

***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 expensed in the plan year in which they apply.

***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 two items that qualify for reporting in this category. The first is the future resources yet to be recognized in relation to the pension and OPEB actuarial calculation. The second item is future resources yet to be recognized in relation to the pension and other postemployment benefit actuarial calculation. These future resources arise from differences in the estimates used by the actuary to calculate the pension and other postemployment benefit liability and the actual results. The amounts are amortized over a period determined by the actuary.

PELLSTON PUBLIC SCHOOLS  
PELLSTON, MICHIGAN  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2023

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

*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.

*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.

*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.

In the general fund, the goal of the District shall be to maintain a minimum unassigned fund balance of no less than 15% of the preceding year's expenditures.

*Leases and Subscription Based IT Arrangements (SBITA)*

**Lessee:** The District is a lessee for a noncancelable lease of equipment. The District recognizes a lease liability and an intangible right-to-use lease asset in the government-wide financial statements. The District recognizes lease liabilities with an initial, individual value of \$10,000 or more.

At the commencement of a lease, the District initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized on a straight-line basis over its useful life.

PELLSTON PUBLIC SCHOOLS  
PELLSTON, MICHIGAN  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2023

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

**Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance (continued)**

Key estimates and judgements related to leases include how the District determines (1) the discount rate it uses to discount the expected lease payments to present value, (2) lease term, and (3) lease payments.

- The District uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the District generally uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the non-cancelable period of the lease. Lease payments included in the measurement of the lease liability are composed of fixed payments and purchase option price that the District is reasonably certain to exercise.

The District monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease assets and liability if certain changes occur that are expected to significantly affect the amount of the lease liability.

Lease assets are reported with other capital assets and lease liabilities are reported with long-term obligations on the statement of net position.

**Revenues and Expenditures/Expenses**

*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.

*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 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 date is February 28, after which time the bills become delinquent and penalties and interest may be assessed by the collecting entity.

For the year ended June 30, 2023, the District levied the following amounts per \$1,000 of assessed valuation:

Fund	Mills
General Fund	
Non-Principal Residence Exemption (PRE)	17.4060
Commercial Personal Property (CPP)	6.0000
Capital Projects Sinking Fund	
PRE, Industrial Personal Property, Non-PRE, CPP	1.9479

PELLSTON PUBLIC SCHOOLS  
PELLSTON, MICHIGAN  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2023

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

*Compensated Absences*

The District has a provision in its employee policy whereby terminal leave vests with each employee and, consequently, the District has a financial obligation it must meet at such time the employee leaves the employ of the District. The amount of these assured termination benefits as of June 30, 2023, is approximately \$86,465 and has been reported as a liability on the General Fund Balance Sheet.

*Long-term Obligations*

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities 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.

*Events Occurring After Reporting Date*

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

**NOTE 2 - DEPOSITS AND INVESTMENTS**

As of June 30, 2023 the District had deposits and investments subject to the following risks:

**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, 2023, \$1,906,660 of the District's bank balance of \$3,457,714 was exposed to custodial credit risk because it was uninsured and uncollateralized. The carrying value on the books for deposits at the end of the year was \$3,343,816.

**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.

**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.

PELLSTON PUBLIC SCHOOLS  
PELLSTON, MICHIGAN  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2023

**NOTE 2 - DEPOSITS AND INVESTMENTS (continued)**

Investment Type	Fair Value	Weighted Average Maturity (Years)
MILAF External Investment pool - MAX	\$ 730,247	N/A
MILAF External Investment pool - CMC	570,806	N/A
Total fair value	\$ 1,301,053	
Portfolio weighted average maturity		N/A

One day maturity equals 0.0027, one year equals 1.00.

**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. Obligations of the U.S. government or obligations explicitly guaranteed by the U.S. government are not considered to have credit risk and do not require disclosure of credit quality.

Investment Type	Fair Value	Rating	Rating Agency
MILAF External Investment pool - MAX	\$ 730,247	AAAm	Standard & Poor's
MILAF External Investment pool - CMC	570,806	AAAm	Standard & Poor's
Federated Government Obligations	-	AAAm	Standard & Poor's
Total	\$ 1,301,053		

**Foreign Currency Risk**

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

**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). 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.

PELLSTON PUBLIC SCHOOLS  
PELLSTON, MICHIGAN  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2023

**NOTE 2 - DEPOSITS AND INVESTMENTS (continued)**

**Fair Value Measurement (continued)**

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.

	Level 1	Level 2	Level 3	Balance at June 30, 2023
Investments by fair value level				
Federated Government Obligations	\$ -	\$ -	\$ -	\$ -

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 District voluntarily invests certain excess funds in external pooled investment funds which include money market funds. One of the pooled investment funds utilized by the District is the Michigan Investment Liquid Asset Fund (MILAF). 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. These funds are not subject to fair value disclosures.

	Amortized Cost
MILAF External Investment Pool - MAX	\$ 730,247
MILAF External Investment Pool - CMC	570,806
	\$ 1,301,053

The cash and cash equivalents and investments referred to above have been reported in either the cash and cash equivalents or investments captions on the financial statements, based upon criteria disclosed in Note 1.

The following summarizes the categorization of these amounts as of June 30, 2023:

	Primary Government
Cash and cash equivalents	\$ 2,042,763
Investments	1,301,053
	\$ 3,343,816

PELLSTON PUBLIC SCHOOLS  
PELLSTON, MICHIGAN  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2023

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**NOTE 3 - INTERGOVERNMENTAL RECEIVABLES**

Intergovernmental receivables at June 30, 2023 consist of the following:

	<u>Government-wide</u>
State programs	\$ 467,924
Federal programs	267,040
Other	<u>46,136</u>
	<u>\$ 781,100</u>

No allowance for doubtful accounts is considered necessary based on previous experience.

(NOTES TO FINANCIAL STATEMENTS CONTINUED ON NEXT PAGE)

**PELLSTON PUBLIC SCHOOLS  
PELLSTON, MICHIGAN  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2023**

**NOTE 4 - CAPITAL ASSETS**

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

	As restated Balance July 1, 2022	Additions	Deletions	Balance June 30, 2023
<b>Assets not being depreciated</b>				
Land	\$ 435,000	\$ -	\$ -	\$ 435,000
Construction in progress	-	-	-	-
<b>Total assets not being depreciated</b>	<b>435,000</b>	<b>-</b>	<b>-</b>	<b>435,000</b>
<b>Capital assets being depreciated/amortized</b>				
Building and additions	15,256,317	51,631	-	15,307,948
Land improvements	75,000	38,220	-	113,220
Computer and office equipment	2,115,475	30,068	-	2,145,543
Right to use - leased equipment	-	-	-	-
Right to use - subscription-based IT	-	141,500	-	141,500
Outdoor equipment	-	-	-	-
Transportation equipment	838,574	1,654,861	230,999	2,262,436
Right to use - leased transportation equipment	-	-	-	-
<b>Subtotal</b>	<b>18,285,366</b>	<b>1,916,280</b>	<b>230,999</b>	<b>19,970,647</b>
<b>Accumulated depreciation/amortization</b>				
Building and additions	12,310,402	228,600	-	12,539,002
Land improvements	75,000	1,274	-	76,274
Computer and office equipment	1,707,107	73,403	-	1,780,510
Right to use - leased equipment	-	-	-	-
Right to use - subscription-based IT	-	45,036	-	45,036
Outdoor equipment	-	-	-	-
Transportation equipment	612,821	93,139	230,999	474,961
Right to use - leased transportation equipment	-	-	-	-
<b>Total accumulated depreciation/amortization</b>	<b>14,705,330</b>	<b>441,452</b>	<b>230,999</b>	<b>14,915,783</b>
<b>Net capital assets being depreciated/amortized</b>	<b>3,580,036</b>	<b>1,474,828</b>	<b>-</b>	<b>5,054,864</b>
<b>Net governmental capital assets</b>	<b>\$ 4,015,036</b>	<b>\$ 1,474,828</b>	<b>\$ -</b>	<b>\$ 5,489,864</b>

Depreciation/amortization for the fiscal year ended June 30, 2023 amounted to \$441,452. The District does not charge the depreciation expense to specific activities because the District considers its assets to impact multiple activities and allocation is not practicable.

PELLSTON PUBLIC SCHOOLS  
PELLSTON, MICHIGAN  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2023

**NOTE 5 - LONG-TERM OBLIGATIONS**

The following is a summary of long-term obligations for the District for the year ended June 30, 2023:

	General Obligation Bonds	Notes from Direct Borrowings and Direct Placements	Compensated Absences	Total
Balance July 1, 2022, as restated	\$ -	\$ 195,000	\$ 37,425	\$ 232,425
Additions	-	-	49,040	49,040
Deletions	-	(65,000)	-	(65,000)
Balance June 30, 2023	-	130,000	86,465	216,465
Due within one year	-	65,000	-	65,000
Due in more than one year	\$ -	\$ 65,000	\$ 86,465	\$ 151,465

Long-term obligations at June 30, 2023 are comprised of the following issues:

**General Obligation Bonds**

2011 School Improvement QZAB bond due November, 2024 in annual installments of \$60,000 - \$65,000 beginning in 2020 and interest paid annually with rates of 5.8% - 6.375%.

Year Ending June 30,	General Obligation Bonds		Compensated Absences	Total
	Principal	Interest		
2024	\$ 65,000	\$ 6,158	\$ -	\$ 71,158
2025	65,000	2,072	-	67,072
	130,000	8,230	-	138,230
Issuance premium	-	-	-	-
Compensated absences	-	-	86,465	86,465
	\$ 130,000	\$ 8,230	\$ 86,465	\$ 224,695

Interest expense (all funds) for the year ended June 30, 2023 was approximately \$12,189.

PELLSTON PUBLIC SCHOOLS  
PELLSTON, MICHIGAN  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2023

**NOTE 6 - INTERFUND RECEIVABLES AND PAYABLES**

Interfund payable and receivable balances at June 30, 2023 are as follows:

Receivable Fund		Payable Fund	
General fund	\$ 10,674	Sinking fund	\$ -
Student activities	-	Food service	5,082
Scholarships	-	School store	2,060
Student activities		Student activities	3,532
	<u>\$ 10,674</u>		<u>\$ 10,674</u>

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

**NOTE 7 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS**

**Plan Description**

The Michigan Public School Employees' Retirement System (MPERS) (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. MPERS issues a publicly available Annual Comprehensive Financial Report that can be obtained at [www.michigan.gov/orsschools](http://www.michigan.gov/orsschools).

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

The System is administered by the Office of Retirement Services (ORS) within the Michigan Department of Technology, Management & Budget. The Department Director appoints the Office Director, with whom the general oversight of the System resides. The State of Michigan Investment Board serves as the investment fiduciary and custodian for the System.

**Benefits Provided - Overall**

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

Plan Name	Plan Type	Plan Status
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

PELLSTON PUBLIC SCHOOLS  
PELLSTON, MICHIGAN  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2023

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**NOTE 7 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)**

**Benefits Provided - Pension**

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

Prior to Pension reform of 2010 there were two plans commonly referred to as Basic and the Member Investment Plan (MIP). Basic Plan members' 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%.

**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 they terminate public school employment.

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

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

PELLSTON PUBLIC SCHOOLS  
PELLSTON, MICHIGAN  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2023

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**NOTE 7 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)**

**Pension Reform 2012 (continued)**

**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 closed the Pension Plus plan to newly hired employees as of February 1, 2018 and created a new, optional Pension Plus 2 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 Pension Plus 2 plan is 6%. Further, under certain adverse actuarial conditions, the Pension Plus 2 plan will close to new employees if the actuarial funded ratio falls below 85% for two consecutive years. The law included other provisions to the retirement eligibility age, plan assumptions, and unfunded liability payment methods.

**Benefits Provided - Other Postemployment Benefit (OPEB)**

Benefit provisions of the postemployment healthcare plan are established by State statute, which may be amended. Public Act 300 of 1980, as amended, establishes eligibility and benefit provisions. Retirees have the option of health coverage, which, through 2012, was funded on a cash disbursement basis. Beginning fiscal year 2013, it is funded on a prefunded basis. The System has contracted to provide the comprehensive group medical, prescription drug, dental and vision coverage for retirees and beneficiaries. A subsidized portion of the premium is paid by the System with the balance deducted from the monthly pension of each retiree 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.

PELLSTON PUBLIC SCHOOLS  
PELLSTON, MICHIGAN  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2023

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**NOTE 7 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)**

**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 their 60<sup>th</sup> birthday and has credited service in each of the last 5 years. For Pension Plus Plan (PPP) members, age 60 with 10 years of credited service.

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

**Member Contributions**

Depending on the plan selected, member contributions range from 0% - 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 pension benefits and OPEB. Contribution provisions are specified by State statute and may be amended only by action of the State Legislature.

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

Pension and OPEB contributions made in the fiscal year ending September 30, 2022 were determined as of the September 30, 2019 actuarial valuations. The pension and OPEB benefits, the unfunded (overfunded) actuarial accrued liabilities as of September 30, 2019 are amortized over an 17-year period beginning October 1, 2021 and ending September 30, 2038.

PELLSTON PUBLIC SCHOOLS  
PELLSTON, MICHIGAN  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2023

**NOTE 7 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)**

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, 2022 - September 30, 2023	13.75% - 20.16%	7.21% - 8.07%
October 1, 2021 - September 30, 2022	13.73% - 20.14%	7.23% - 8.09%

The District's pension contributions for the year ended June 30, 2023 were equal to the required contribution total. Total pension contributions were approximately \$1,527,000. Of the total pension contributions approximately \$1,467,000 was contributed to fund the Defined Benefit Plan and approximately \$60,000 was contributed to fund the Defined Contribution Plan.

The District's OPEB contributions for the year ended June 30, 2023 were equal to the required contribution total. Total OPEB contributions were approximately \$316,000. Of the total OPEB contributions approximately \$262,000 was contributed to fund the Defined Benefit Plan and approximately \$54,000 was contributed to fund the Defined Contribution 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***

The net pension liability was measured as of September 30, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation date of September 30, 2021 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.

MPSERS (Plan) Non-university Employers	September 30, 2022	September 30, 2021
Total Pension Liability	\$ 95,876,795,620	\$ 86,392,473,395
Plan Fiduciary Net Position	\$ 58,268,076,344	\$ 62,717,060,920
Net Pension Liability	\$ 37,608,719,276	\$ 23,675,412,475
Proportionate Share	0.03174%	0.03066%
Net Pension Liability for the District	\$ 11,938,715	\$ 7,259,587

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

For the year ended June 30, 2023, the District recognized pension expense of \$1,289,745.

PELLSTON PUBLIC SCHOOLS  
PELLSTON, MICHIGAN  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2023

**NOTE 7 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)**

At June 30, 2023, the Reporting Unit reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Net difference between projected and actual pension plan investment earnings	27,996	-
Differences between expected and actual experience	119,429	26,694
Changes in proportion and differences between employer contributions and proportionate share of contributions	531,491	5,179
Changes of assumptions	2,051,499	-
Reporting Unit's contributions subsequent to the measurement date	<u>1,391,290</u>	<u>-</u>
	<u><u>\$ 4,121,705</u></u>	<u><u>\$ 31,873</u></u>

\$1,391,290, 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 Ending</u>	<u>Amount</u>
2023	\$ 842,559
2024	642,069
2025	499,782
2026	714,132

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

*OPEB Liabilities*

The net OPEB liability was measured as of September 30, 2022, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation date of September 30, 2021 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.

PELLSTON PUBLIC SCHOOLS  
PELLSTON, MICHIGAN  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2023

**NOTE 7 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)**

<u>MPSERS (Plan) Non-university Employers</u>	<u>September 30, 2022</u>	<u>September 30, 2021</u>
Total other postemployment benefits liability	\$ 12,522,713,324	\$ 12,046,393,511
Plan fiduciary net position	\$ 10,404,650,683	\$ 10,520,015,621
Net other postemployment benefits liability	\$ 2,118,062,641	\$ 1,526,377,890
Proportionate share	0.03202%	0.03126%
Net other postemployment benefits liability for the District	\$ 678,163	\$ 477,179

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

For the year ended June 30, 2023, the District recognized OPEB benefit of \$382,562.

At June 30, 2023, 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>
Net difference between projected and actual other postemployment benefits plan investment earnings	\$ 53,004	\$ -
Differences between expected and actual experience	-	1,328,261
Changes in proportion and differences between employer contributions and proportionate share of contributions	174,260	21,578
Changes of assumptions	604,468	49,219
Reporting Unit's contributions subsequent to the measurement date	232,463	-
	<u>\$ 1,064,195</u>	<u>\$ 1,399,058</u>

\$232,463, 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.

PELLSTON PUBLIC SCHOOLS  
PELLSTON, MICHIGAN  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2023

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**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 (continued)**

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

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

<u>Year Ending</u>	<u>Amount</u>
2023	\$ (218,202)
2024	(176,445)
2025	(172,145)
2026	1,604
2027	(3,857)
2028	\$ 1,719

**Actuarial Assumptions**

**Investment Rate of Return for Pension** - 6.00% a year; compounded annually net of investment and administrative expenses for the MIP, Basic, Pension Plus, and Pension Plus 2 Plan groups.

**Investment Rate of Return for OPEB** - 6.00% a year, compounded annually net of investment and administrative expenses.

**Salary Increases** - The rate of pay increase used for individual members is 2.75% - 11.55%, including wage inflation at 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 morality improvements using projection scale MP-2017 from 2006.

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

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

**Experience Study** - The annual actuarial valuation report of the System used for these statements is dated September 30, 2021. Assumption changes as a result of an experience study for the periods 2012 through 2017 have been adopted by the System for use in the determination of the total pension and OPEB liability beginning with the September 30, 2018 valuation.

**The Long-Term Expected Rate of Return on Pension and Other Postemployment Benefit Plan Investments** - The pension rate was 6.00% (MIP, Basic, Pension Plus Plan, and Pension Plus 2 Plan), and the other postemployment benefit rate was 6.00%, net of investment and administrative expenses determine using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension and OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

PELLSTON PUBLIC SCHOOLS  
PELLSTON, MICHIGAN  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2023

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**NOTE 7 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)**

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

**Healthcare Cost Trend Rate for Other Postemployment Benefit** – Pre 65, 7.75% for year one and graded to 3.5% in year fifteen. Post 65, 5.25% for year one and graded to 3.5% in year fifteen.

**Additional Assumptions for Other Postemployment Benefit Only** - Applies to Individuals Hired Before September 4, 2012:

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

**Survivor Coverage** - 80% of male retirees and 67% of female retirees are assumed to have coverage continuing after the retiree's death.

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

The target asset allocation at September 30, 2022 and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Investment Category	Target Allocation	Long-term Expected Real Rate of Return*
Domestic Equity Pools	25.00%	5.10%
International Equity Pools	15.00%	6.70%
Private Equity Pools	16.00%	8.70%
Real Estate and Infrastructure Pools	10.00%	5.30%
Fixed Income Pools	13.00%	-0.20%
Absolute Return Pools	9.00%	2.70%
Real Return/Opportunistic Pools	10.00%	5.80%
Short Term Investment Pools	2.00%	-0.50%
	<u>100.00%</u>	

\* Long term rate of return are net of administrative expenses and 2.2% inflation.

**Rate of Return** - For fiscal year ended September 30, 2022, the annual money-weighted rate of return on pension and OPEB plan investments, net of pension and OPEB plan investment expense, was (4.18)% and (4.99)%, respectively. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

PELLSTON PUBLIC SCHOOLS  
PELLSTON, MICHIGAN  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2023

**NOTE 7 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)**

**Actuarial Assumptions (continued)**

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

**OPEB Discount Rate** - A single discount rate of 6.00% was used to measure the total OPEB liability. This discount rate was based on the long-term expected rate of return on OPEB plan investments of 6.00%. The projection of cash flows used to determine this discount rate assumed that plan member contributions will be made at the current contribution rate and that school districts contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

**Sensitivity of the Net Pension Liability to Changes in the Discount Rate** - The following presents the Reporting Unit's proportionate share of the net pension liability calculated using a single discount rate of 6.00%, 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	\$ 15,754,668	\$ 11,938,715	\$ 8,794,197

**Sensitivity of the Net OPEB Liability to Changes in the Discount Rate** - The following presents the Reporting Unit's proportionate share of the net OPEB liability calculated using a single discount rate of 6.00%, 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 benefit		
	1% Decrease	Discount Rate	1% Increase
Reporting Unit's proportionate share of the net other postemployment benefits liability	\$ 1,137,553	\$ 678,163	\$ 291,299

**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, as well as what the Reporting Unit's proportionate share of the net other postemployment benefit liability would be if it were

PELLSTON PUBLIC SCHOOLS  
PELLSTON, MICHIGAN  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2023

**NOTE 7 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)**

Actuarial Assumptions (continued)

calculated using a healthcare cost trend rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

	Other postemployment benefit		
	Current		
	1% Decrease	Healthcare Cost Trend Rates	1% Increase
Reporting Unit's proportionate share of the net other postemployment benefits liability	\$ 1,137,553	\$ 678,163	\$ 291,299

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 2022 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 risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees' and natural disasters. The District participates in two distinct pools of educational institutions within the State of Michigan for self-insuring property and casualty and workers' disability compensation. The pools are considered public entity risk pools. The District pays annual premiums under a retrospectively rated policy to the pools for the respective insurance coverage. In the event a pool's total claims and expenses for a policy year exceed the total normal annual premiums for said years, all members of the specific pool's policy year may be subject to special assessment to make up the deficiency. The workers' compensation pool and the property casualty pool maintain reinsurance for claims generally in excess of \$500,000 for each occurrence with the overall maximum coverage varying depending on the specific type of coverage of reinsurance.

The District continues to carry commercial insurance for other risks of loss, including employee health and accident insurance. No settlements have occurred in excess of coverage for June 30, 2023 or any of the prior three years.

**NOTE 9 - TRANSFERS**

The District's transfers during the fiscal year ended June 30, 2023.

Transfer In		Transfer Out	
General fund	\$ 7,948	General fund	\$ 1,343
School store	1,343	Sinking fund	7,948
	\$ 9,291		\$ 9,291

PELLSTON PUBLIC SCHOOLS  
PELLSTON, MICHIGAN  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2023

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**NOTE 10 - 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 government expects such amounts, if any, to be immaterial.

The District is a reimbursing employer to the State of Michigan Unemployment Agency and as such is responsible to pay the Agency for all benefits paid and charged to the District. As of June 30, 2023, all known liabilities for claims paid by the Agency are recorded as accounts payable.

**NOTE 11 - TAX ABATEMENTS**

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

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

The property taxes abated for all funds by municipality under these programs are as follows:

<u>Municipality</u>	<u>Taxes Abated</u>
None	\$ -

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.

**NOTE 12 - UPCOMING ACCOUNTING PRONOUNCEMENTS**

In June 2023, the GASB issued Statement No. 100, Accounting Changes and Error Corrections - an amendment of GASB Statement No. 62. This Statement prescribes the accounting and financial reporting for (1) each type of accounting change and (2) error corrections. This Statement requires that (a) changes in accounting principles and error corrections be reported retroactively by restating prior periods, (b) changes to or within the financial reporting entity be reported by adjusting beginning balances of the current period, and (c) changes in accounting estimates be reported prospectively by recognizing the change in the current period. The District is currently evaluating the impact this standard will have on the financial statements when adopted during the 2023-2024 fiscal year.

In June 2022, the GASB issued Statement No. 101, Compensated Absences. This Statement requires that liabilities for compensated absences be recognized for (1) leave that has not been used and (2) leave that has been used but not yet paid in cash or settled through noncash means. A liability should be recognized for leave that has not been used if (a) the leave is attributable to services already rendered, (b) the leave accumulates, and (c) the leave is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means. This Statement also establishes guidance for measuring a liability for leave that has not been used, generally using an employee's pay rate as of the date of the financial statements. The District is currently evaluating the impact this standard will have on the financial statements when adopted during the 2024-2025 fiscal year.

PELLSTON PUBLIC SCHOOLS  
PELLSTON, MICHIGAN  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2023

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**NOTE 13 - CHANGE IN ACCOUNTING PRINCIPLE**

For the year ended June 30, 2023, the District implemented the following new pronouncement: GASB Statement No. 96, Subscription-based Information Technology Arrangements.

**Summary:**

Governmental Accounting Standards Board (GASB) Statement No. 96, Subscription-based Information Technology Arrangements was issued in May 2020. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset - an intangible asset - and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, Leases, as amended.

For the District, SBITAs that met the GASB 96 criteria all were entered into during the fiscal year. GASB 96 was implemented during the fiscal year, but no restatements were necessary.

**NOTE 14 - PRIOR PERIOD ADJUSTMENT**

The restatement at the beginning of the year had the following impact on fund balance and net position. The change for a duplicate entry made in error is as follows:

	Student Activities <u>Fund Balance</u>	Governmental Activites <u>Net Position</u>
July 1, 2021, as previously stated	\$ 141,457	\$ (3,765,444)
Duplicate entry made in error	<u>(13,757)</u>	<u>(13,757)</u>
July 1, 2021 as restated	<u>\$ 127,700</u>	<u>\$ (3,779,201)</u>

PELLSTON PUBLIC SCHOOLS  
PELLSTON, MICHIGAN  
REQUIRED SUPPLEMENTARY INFORMATION  
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND  
FOR THE YEAR ENDED JUNE 30, 2023

	BUDGETED AMOUNTS		ACTUAL AMOUNTS BUDGETARY BASIS	VARIANCE WITH FINAL BUDGET
	2023	2023		
	ORIGINAL	FINAL		
<b>REVENUES</b>				
Local sources	\$ 3,362,605	\$ 3,683,836	\$ 3,684,885	\$ 1,049
State sources	2,006,843	2,506,459	2,507,266	807
Federal sources	1,306,979	860,603	860,445	(158)
Interdistrict school districts	889,629	977,597	977,974	377
<b>TOTAL REVENUES</b>	<b>7,566,056</b>	<b>8,028,495</b>	<b>8,030,570</b>	<b>2,075</b>
<b>EXPENDITURES</b>				
Current:				
Instruction:				
Basic programs	3,458,692	3,684,584	3,684,584	-
Added needs	1,510,463	1,150,102	1,150,102	-
Total instruction	4,969,155	4,834,686	4,834,686	-
Support services:				
Career and technical education	-	75,371	75,371	-
Pupil support services	22,006	156,870	156,870	-
Improvement of instruction	58,184	58,184	58,184	-
General administration	249,416	275,497	275,497	-
School administration	433,111	465,263	465,263	-
Business services	184,657	184,657	184,657	-
Operation/ maintenance	767,861	753,260	753,260	-
Pupil transportation	324,100	326,476	326,476	-
Other central services	174,243	145,163	145,163	-
Athletics	214,019	227,493	227,306	187
Total supporting services	2,427,597	2,668,234	2,668,047	187
Community services	-	-	-	-
Capital outlay	128,605	254,170	254,170	-
Debt Service				
Principal repayment	75,189	89,326	89,326	-
Interest	-	-	-	-
Total debt service	75,189	89,326	89,326	-
<b>TOTAL EXPENDITURES</b>	<b>7,600,546</b>	<b>7,846,416</b>	<b>7,846,229</b>	<b>187</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>				
	(34,490)	182,079	184,341	2,262
<b>OTHER FINANCING SOURCES (USES)</b>				
Loan proceeds	-	125,565	125,565	-
Proceeds from leases	-	-	-	-
Transfers in	23,000	7,947	7,948	1
Transfers out	-	-	(1,343)	(1,343)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>23,000</b>	<b>133,512</b>	<b>132,170</b>	<b>(1,342)</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>(11,490)</b>	<b>315,591</b>	<b>316,511</b>	<b>920</b>
<b>FUND BALANCE</b>				
Beginning of year	1,702,848	1,702,848	1,702,848	-
End of year	\$ 1,691,358	\$ 2,018,439	\$ 2,019,359	\$ 920

SEE NOTES TO FINANCIAL STATEMENTS.

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

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Reporting unit's proportion of net pension liability (%)	0.03174%	0.03066%	0.02960%	0.02842%	0.02838%	0.02966%	0.03098%	0.03126%	0.03468%
Reporting unit's proportionate share of net pension liability \$	11,938,715	\$ 7,259,587	\$ 10,166,854	\$ 9,412,500	\$ 8,532,647	\$ 7,686,193	\$ 7,729,985	\$ 7,635,840	\$ 7,638,166
Reporting unit's covered-employee payroll \$	3,140,971	\$ 2,845,302	\$ 2,697,204	\$ 2,564,675	\$ 2,349,772	\$ 2,432,413	\$ 2,624,060	\$ 2,611,091	\$ 2,946,069
Reporting unit's proportionate share of net pension liability as a percentage of its covered-employee payroll	173.39%	255.14%	376.94%	367.01%	363.13%	315.99%	294.58%	292.44%	259.27%
Plan fiduciary net position as a percentage of total pension liability (Non-university employers)	60.77%	72.60%	59.49%	60.31%	62.36%	64.21%	63.27%	63.17%	66.15%

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

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

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Statutory required pension contributions	\$ 1,466,637	\$ 868,625	\$ 663,506	\$ 755,049	\$ 753,146	\$ 718,021	\$ 725,822	\$ 706,340	\$ 602,078
Pension contributions in relation to statutorily required contributions	(1,466,637)	(868,625)	(663,506)	(755,049)	(753,146)	(718,021)	(725,822)	(706,340)	(602,078)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Reporting unit's covered-employee payroll (pension)	\$ 3,313,283	\$ 3,106,179	\$ 2,777,414	\$ 2,668,366	\$ 2,494,887	\$ 2,358,653	\$ 2,487,953	\$ 2,511,205	\$ 2,659,133
Pension contributions as a percentage of covered-employee payroll	43.09%	27.96%	23.89%	28.30%	30.19%	30.44%	29.17%	28.13%	22.64%

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

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

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	<u>2022</u>		<u>2021</u>		<u>2020</u>		<u>2019</u>		<u>2018</u>		<u>2017</u>
Reporting unit's proportion of net other postemployment benefits liability (%)	0.03202%		0.03126%		0.03029%		0.02926%		0.27721%		0.02973%
Reporting unit's proportionate share of net other post employment benefits liability	\$ 678,163	\$	477,179	\$	1,622,665	\$	2,100,051	\$	2,203,513	\$	2,632,943
Reporting unit's covered-employee payroll	\$ 3,140,971	\$	2,845,302	\$	2,697,204	\$	2,564,675	\$	2,349,772	\$	2,432,413
Reporting unit's proportionate share of net other postemployment benefits liability as a percentage of its covered-employee payroll	9.85%		16.77%		60.16%		81.88%		93.78%		108.24%
Plan fiduciary net position as a percentage of total other postemployment benefits liability (Non-university employers)	83.09%**		87.33%**		59.42%**		48.46%**		42.95%**		36.39%**

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

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

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Statutory required other postemployment benefits contributions	\$ 262,303	\$ 165,561	\$ 74,159	\$ 200,886	\$ 190,506	\$ 168,175
Other postemployment benefits contributions in relation to statutorily required contributions	<u>(262,303)</u>	<u>(165,561)</u>	<u>(74,159)</u>	<u>(200,886)</u>	<u>(190,506)</u>	<u>(168,175)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Reporting unit's covered-employee payroll (OPEB)	\$ 3,313,283	\$ 3,106,179	\$ 2,777,414	\$ 2,668,366	\$ 2,494,887	\$ 2,358,653
Other post employment benefit contributions as a percentage of covered-employee payroll	7.71%	5.33%	2.67%	7.53%	7.64%	7.13%

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

SEE NOTES TO REQUIRED SUPPLEMENTARY INFORMATION.

PELLSTON PUBLIC SCHOOLS  
PELLSTON, MICHIGAN  
REQUIRED SUPPLEMENTARY INFORMATION  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE YEAR ENDED JUNE 30, 2023

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**NOTE 1 - PENSION INFORMATION**

Benefit changes - there were no changes of benefit terms in 2022.

Changes of assumptions - the assumption changes for 2022 were:

- \* Discount rate for MIP, Basic, and Pension Plus plans decreased to 6.00% from 6.80%.

**NOTE 2 - OPEB INFORMATION**

Benefit changes - there were no changes of benefit terms in 2022.

Changes of assumptions - the assumption changes for 2022 were:

- \* Discount rate decreased by 6.00% from 6.95%.

PELLSTON PUBLIC SCHOOLS  
 PELLSTON, MICHIGAN  
 ADDITIONAL SUPPLEMENTARY INFORMATION  
 COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS  
 JUNE 30, 2023

	SPECIAL REVENUE			DEBT SERVICE	NONMAJOR GOVERNMENTAL FUNDS
	STUDENT ACTIVITIES	FOOD SERVICE	STUDENT STORE	2008 REFUNDING	TOTAL
				DEBT RETIREMENT FUND	
<b>ASSETS</b>					
Cash and cash equivalents	\$ 154,095	123,778	\$ 2,060	\$ 163,996	\$ 443,929
Accounts receivable	-	-	-	-	-
Intergovernmental receivable	-	52,360	-	-	52,360
Due from other funds	-	-	-	-	-
Inventories	-	11,727	-	-	11,727
<b>TOTAL ASSETS</b>	<b>\$ 154,095</b>	<b>\$ 187,865</b>	<b>\$ 2,060</b>	<b>\$ 163,996</b>	<b>\$ 508,016</b>
<b>LIABILITIES AND FUND BALANCES</b>					
<b>LIABILITIES</b>					
Accounts payable	\$ -	\$ 705	\$ -	\$ -	\$ 705
Accrued retirement	-	717	-	-	717
Due to scholarships	1,501	-	-	-	1,501
Due to other funds	3,532	5,082	2,060	-	10,674
Unearned revenue	-	9,953	-	-	9,953
<b>TOTAL LIABILITIES</b>	<b>5,033</b>	<b>16,457</b>	<b>2,060</b>	<b>-</b>	<b>23,550</b>
<b>FUND BALANCES</b>					
Nonspendable					
Inventories	-	11,727	-	-	11,727
Restricted	-	159,681	-	163,996	323,677
Committed	149,062	-	-	-	149,062
<b>TOTAL FUND BALANCES</b>	<b>149,062</b>	<b>171,408</b>	<b>-</b>	<b>163,996</b>	<b>484,466</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 154,095</b>	<b>\$ 187,865</b>	<b>\$ 2,060</b>	<b>\$ 163,996</b>	<b>\$ 508,016</b>

PELLSTON PUBLIC SCHOOLS  
PELLSTON, MICHIGAN  
ADDITIONAL SUPPLEMENTAL INFORMATION  
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
NONMAJOR GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2023

	SPECIAL REVENUE			DEBT SERVICE	TOTAL
	STUDENT	FOOD	STUDENT	2008 REFUNDING	NONMAJOR
	ACTIVITIES	SERVICE	STORE	DEBT RETIREMENT	GOVERNMENTAL
<b>REVENUES:</b>					
Local sources					
Property taxes	\$ -	\$ -	\$ -	\$ 156	\$ 156
Investment earnings	-	-	-	-	-
Food sales	-	37,484	-	-	37,484
Student/school activities	293,134	-	38,017	-	331,151
Other	-	116	-	525	641
<b>Total local sources</b>	<b>293,134</b>	<b>37,600</b>	<b>38,017</b>	<b>681</b>	<b>369,432</b>
State sources	-	57,386	-	-	57,386
Federal sources	-	727,768	-	-	727,768
Intermediate school districts	-	-	-	-	-
<b>TOTAL REVENUES</b>	<b>293,134</b>	<b>822,754</b>	<b>38,017</b>	<b>681</b>	<b>1,154,586</b>
<b>EXPENDITURES:</b>					
Current					
Other central services	-	-	-	1,046	1,046
Capital outlay	-	6,344	-	-	6,344
Debt service	-	-	-	-	-
Student activities expense	271,772	-	41,815	-	313,587
Food service	-	832,561	-	-	832,561
Other	-	-	-	-	-
<b>TOTAL EXPENDITURES</b>	<b>271,772</b>	<b>838,905</b>	<b>41,815</b>	<b>1,046</b>	<b>1,153,538</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>21,362</b>	<b>(16,151)</b>	<b>(3,798)</b>	<b>(365)</b>	<b>1,048</b>
<b>OTHER FINANCING SOURCES (USES):</b>					
Transfers in	-	-	1,343	-	1,343
Transfers out	-	-	-	-	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>-</b>	<b>-</b>	<b>1,343</b>	<b>-</b>	<b>1,343</b>
<b>NET CHANGES IN FUND BALANCES</b>	<b>21,362</b>	<b>(16,151)</b>	<b>(2,455)</b>	<b>(365)</b>	<b>2,391</b>
<b>FUND BALANCES - Beginning of year, as restated</b>	<b>127,700</b>	<b>187,559</b>	<b>2,455</b>	<b>164,361</b>	<b>482,075</b>
<b>FUND BALANCES - End of year</b>	<b>\$ 149,062</b>	<b>\$ 171,408</b>	<b>\$ -</b>	<b>\$ 163,996</b>	<b>\$ 484,466</b>

**PELLSTON PUBLIC SCHOOLS**  
**PELLSTON, MICHIGAN**  
**ADDITIONAL SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF OUTSTANDING BONDED INDEBTEDNESS**  
**JUNE 30, 2023**

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\$315,000 School Improvement Bonds issued March 3, 2011.

Fiscal Year	Principal Due November 1,	INTEREST DUE		TOTAL FISCAL YEAR REQUIREMENTS
		November 1,	May 1,	Amount
2024	65,000	4,086	2,072	71,158
2025	65,000	2,072	-	67,072
	<u>\$ 130,000</u>	<u>\$ 6,158</u>	<u>\$ 2,072</u>	<u>\$ 138,230</u>

**PELLSTON PUBLIC SCHOOLS**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
For the Year Ending June 30, 2023

Federal Grantor/ Pass-Through Grantor/ Program Title/Grant Number	Federal Program Title/Grant Number	Assistance Listing Number	Grant #	Approved Award/Grant Amount	Accrued (Unearned) Revenue July 1, 2022	Current Year Expenditures	Current Year Cash Receipts	Accrued (Unearned) Revenue June 30, 2023
<b>U.S. DEPARTMENT OF AGRICULTURE</b>								
<b>Passed Thru Michigan Department of Education</b>								
<b>Child Nutrition Cluster</b>								
<b>Non-cash Assistance</b>								
		Entitlement Commodities	10.555	\$ 33,522	\$ -	\$ 28,149	\$ 28,149	\$ -
		<b>Total Non-cash Assistance</b>		<b>33,522</b>	<b>-</b>	<b>28,149</b>	<b>28,149</b>	<b>-</b>
<b>Cash Assistance</b>								
		Covid-19 National School Lunch	10.555	16,798	-	16,798	16,798	-
		Covid-19 National School Lunch	10.555	43,272	-	43,272	43,272	-
		Covid-19 National School Lunch	10.555	3,015	-	3,015	3,015	-
		Covid-19 National School Lunch	10.555	11,879	-	14,879	11,879	-
		Covid-19 National School Lunch	10.555	319,137	-	334,540	319,137	15,403
		Covid-19 National School Lunch	10.555	14,806	-	15,107	14,806	301
		<b>Total ALN 10.555</b>		<b>408,907</b>	<b>-</b>	<b>424,611</b>	<b>408,907</b>	<b>15,704</b>
		<b>Total ALN 10.555</b>		<b>442,429</b>	<b>-</b>	<b>452,760</b>	<b>437,056</b>	<b>15,704</b>
		Covid-19 School Breakfast Program	10.553	22,631	-	22,631	22,631	-
		Covid-19 School Breakfast Program	10.553	203,788	-	188,830	181,156	7,674
		<b>Total ALN 10.553</b>		<b>226,419</b>	<b>-</b>	<b>211,461</b>	<b>203,787</b>	<b>7,674</b>
		Covid-19 Summer Food Service Program for Children	10.559	7,052	7,052	-	7,052	-
		Covid-19 Summer Food Service Program for Children	10.559	21,424	-	37,544	21,424	16,120
		<b>Total ALN 10.559</b>		<b>28,476</b>	<b>7,052</b>	<b>37,544</b>	<b>28,476</b>	<b>16,120</b>
		Fresh Fruit & Vegetables	10.582	230950	-	11,973	8,901	3,072
		Local Food For Schools	10.172	230985	-	3,611	3,611	-
		Child Nutrition Discretionary/Grants Limited Availability	10.579	221995	-	9,740	-	9,740
		<b>Total Cash Assistance:</b>		<b>690,283</b>	<b>7,052</b>	<b>698,940</b>	<b>653,682</b>	<b>52,310</b>
		<b>Total Child Nutrition Cluster</b>		<b>723,905</b>	<b>7,052</b>	<b>727,089</b>	<b>681,831</b>	<b>52,310</b>
		<b>Unanticipated School Closures</b>						
		Pandemic EBT	10.649	220980	-	628	628	-
				<b>628</b>	<b>-</b>	<b>628</b>	<b>628</b>	<b>-</b>
		<b>Total United States Department of Agriculture</b>		<b>724,433</b>	<b>7,052</b>	<b>727,717</b>	<b>682,459</b>	<b>52,310</b>

**U.S. DEPARTMENT OF EDUCATION**  
**Passed Thru Michigan Department of Education**

Grants to Local Educational Agencies	84,010	231,530	180,681	-	135,723	117,394	18,329
Improving Teacher Quality State Grants	84,367	2,205,200	36,635	3,427	1,567	4,994	-
Improving Teacher Quality State Grants	84,367	2,305,200	54,676	-	45,333	45,333	-
<b>Total ALN 84,367</b>			<b>91,311</b>	<b>3,427</b>	<b>46,900</b>	<b>50,327</b>	<b>-</b>
Student Support and Academic Enrichment Program	84,424	2,207,500	11,902	2,838	9,064	11,902	-
Student Support and Academic Enrichment Program	84,424	2,307,500	23,900	-	23,900	23,900	-
<b>Total ALN 84,424</b>			<b>35,802</b>	<b>2,838</b>	<b>32,964</b>	<b>35,802</b>	<b>-</b>
<b>Total Title Funds</b>			<b>307,794</b>	<b>6,265</b>	<b>215,587</b>	<b>203,523</b>	<b>18,329</b>
<b>Covid-19 Education Stabilization Fund</b>							
Education Stabilization Fund	84,425D	213,742	25,850	2,358	2,672	5,030	-
Education Stabilization Fund	84,425D	213,782	23,894	-	23,894	23,894	-
<b>Total Education Stabilization Fund</b>			<b>49,744</b>	<b>2,358</b>	<b>26,566</b>	<b>28,924</b>	<b>-</b>
Education Stabilization Fund	84,425U	213,713	1,233,562	203,676	563,049	765,800	925
<b>Total ALN 84,425 and Education Stabilization Fund</b>			<b>1,283,306</b>	<b>206,034</b>	<b>589,615</b>	<b>794,724</b>	<b>925</b>
<b>Total Passed thru Michigan Department of Education</b>			<b>1,591,100</b>	<b>212,299</b>	<b>805,202</b>	<b>998,247</b>	<b>19,254</b>

**U.S. DEPARTMENT OF EDUCATION**  
**Direct Federal Grants**

Indian Education Grants to Local Educational Agencies	84,060	12,672	740	740	-	-
Rural Education	84,358	20,777	20,777	20,777	-	-
Rural Education	84,358	16,218	16,218	16,218	-	-
<b>Total Direct Federal Grants</b>		<b>49,667</b>	<b>37,735</b>	<b>37,735</b>	<b>-</b>	<b>-</b>
<b>Total United States Department of Education</b>		<b>1,640,767</b>	<b>212,299</b>	<b>842,937</b>	<b>1,035,982</b>	<b>19,254</b>

**U.S. DEPARTMENT OF TREASURY**  
**Passed Thru US Department of Treasury**

Coronavirus State and Local Fiscal Recovery Funds	21,027	125,733	24,136	5,115	29,251	-
<b>Total Passed thru U.S. Department of Treasury</b>		<b>125,733</b>	<b>24,136</b>	<b>5,115</b>	<b>29,251</b>	<b>-</b>

**U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES**  
**Passed Thru Charlevoix-Emmett ISD**

Medical Assistance Program	93,778	2,235	-	2,235	2,235	-
<b>Total Medicaid Cluster</b>		<b>2,235</b>	<b>-</b>	<b>2,235</b>	<b>2,235</b>	<b>-</b>

**U.S. ENVIRONMENTAL PROTECTION AGENCY**

Clean School Bus Program	66,045	1,580,000	-	1,556,984	1,556,984	-
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**TOTAL FEDERAL AWARDS EXPENDED**

<b>\$ 4,073,168</b>	<b>\$ 243,487</b>	<b>\$ 3,134,988</b>	<b>\$ 3,306,911</b>	<b>\$ 71,564</b>
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PELLSTON PUBLIC SCHOOLS  
 PELLSTON, MICHIGAN  
 NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
 JUNE 30, 2023

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**NOTE 1 - BASIS OF PRESENTATION**

The accompanying schedule of expenditures of federal awards ("the Schedule") includes the federal award activity of the Pellston Public Schools under programs of the federal government for the year ended June 30, 2023. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principals, and Audit Requirements for Federal Awards (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Pellston Public Schools it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Pellston Public Schools.

The District qualifies for low-risk auditee status. Management has utilized the Cash Management System and Grant Auditor Report in preparing the Schedule of Expenditures of Federal Awards.

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

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

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

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

	FEDERAL REVENUES
General Fund	\$ 850,286
Special Revenue Fund:	
Food Service Fund	727,718
Total Federal Revenues	1,578,004
U.S. Environmental Protection Agency Clean Bus Program Pass-thru grant from bus manufacturer	1,556,984
Total expenditures per the Schedule of Expenditure of Federal Awards (SEFA)	\$ 3,134,988

**NOTE 4 - MICHIGAN DEPARTMENT OF EDUCATION DISCLOSURES**

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



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

### To the Board of Education Pellston Public Schools

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of Pellston Public, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise Pellston Public Schools' basic financial statements, and have issued our report thereon dated June 30, 2023.

### Report on Internal Control Over Financial Reporting

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

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

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

### Report on Compliance and Other Matters

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

### Purpose of This Report

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

*Schulze, Oswald, Miller & Edwards PC*



**Independent Auditors' Report on Compliance for Each Major Program and on Internal Control  
Over Compliance Required by The Uniform Guidance**

To the Board of Education  
Pellston Public Schools  
Pellston, Michigan

**Report on Compliance for Each Major Federal Program**

**Opinion on Each Major Federal Program**

We have audited the **Pellston Public School's** compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the **Pellston Public School's** major federal programs for the year ended June 30, 2023. The **Pellston Public School's** major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, Pellston Public Schools complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2023.

***Basis for Opinion on Each Major Federal Program***

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Pellston Public Schools and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of Pellston Public Schools' compliance with the compliance requirements referred to above.

***Responsibilities of Management for Compliance***

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to Pellston Public Schools' federal programs.

***Auditors' Responsibilities for the Audit of Compliance***

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Pellston Public Schools' compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the

compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Pellston Public Schools' compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Pellston Public Schools' compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Pellston Public Schools' internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of Pellston Public Schools' internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

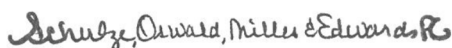
### **Report on Internal Control Over Compliance**

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditors' Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



Schulze, Oswald, Miller, Edwards PC  
Alpena, Michigan  
August 22, 2023

PELLSTON PUBLIC SCHOOLS  
PELLSTON, MICHIGAN  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2023

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Section I – Summary of Auditor’s Results

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**Financial Statements**

Type of auditor’s report issued: *Unmodified*

Internal control over financial reporting:

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

Noncompliance material to financial statements noted?  Yes  No

**Federal Awards**

Internal control over major programs:

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

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

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

Identification of major programs:

ALN Number(s)	Name of Federal Program or Cluster
84.425	Covid-19 Education Stabilization Fund
66.045	U.S. Environmental Protection Agency Clean Bus Program

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

Auditee qualified as low-risk auditee?  Yes  No

Section II – Financial Statement Findings

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None

Section III – Federal Award Findings and Questions Costs

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None

PELLSTON AREA SCHOOLS  
PELLSTON, MICHIGAN  
SCHEDULE OF PRIOR YEAR AUDIT FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2023

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

# Schulze Oswald Miller & Edwards PC

120 N. Ripley Street • Alpena, MI 49707  
P.O. Box 69 • Rose City, MI 48654



Alpena 989-354-8707 • Fax 989-354-8708  
Rose City 989-685-2411 • Fax 989-685-2412

August 22, 2023

To the Board of Education  
Pellston Public School

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Pellston Public School for the year ended June 30, 2023. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards *Government Auditing Standards* and *OMB's Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated June 30, 2023. Professional standards also require that we communicate to you the following information related to our audit.

## Significant Audit Findings

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

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by *Pellston Public School* are described in Note 1 to the financial statements. During 2023, the District implemented Governmental Accounting Standard Board No. 96. *Subscription Based Information Technology Agreements*. We noted no transactions entered into by the District during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

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

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

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

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

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

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

We evaluated the key factors and assumptions used by management to develop the estimated life span of the capital assets in determining that it is reasonable in relation to the financial statements taken as a whole. In addition, certain amounts included in capital assets have been estimated based on an outside appraisal company.

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

We did not identify any sensitive disclosures.

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

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

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

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

**4. *Disagreements with Management***

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

**5. *Management Representations***

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

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

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

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

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

**8. *Other Matters***

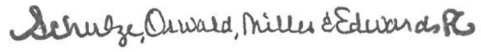
We applied certain limited procedures to the required supplementary information (RSI) which are required and supplement the basic financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency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

We were engaged to report on the other supplementary information, which accompany the financial statements but are not RSI. With respect to this other supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the other supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

9. *Restrictions on Use*

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

Very truly yours,

A handwritten signature in cursive script that reads "Schulze, Oswald, Miller & Edwards PC".

Schulze, Oswald, Miller, & Edwards PC  
Alpena, Michigan