

PELLSTON PUBLIC SCHOOLS
REPORT ON FINANCIAL STATEMENTS
(with required supplementary and additional information)
JUNE 30, 2015



CERTIFIED PUBLIC ACCOUNTANTS
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PELLSTON PUBLIC SCHOOLS
PELLSTON, MICHIGAN

ANNUAL FINANCIAL REPORT
YEAR ENDED JUNE 30, 2015

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October 19, 2015

INDEPENDENT AUDITOR'S REPORT

To the Board of Education
Pellston Public Schools
Pellston, Michigan

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Pellston Public Schools, Pellston, Michigan as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Pellston Public Schools, Pellston, Michigan as of June 30, 2015, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter – Change in Accounting Principle

As discussed in Note 2.M to the financial statements, in 2015, Pellston Public Schools adopted new accounting guidance, Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and required supplementary information on pages iv through xii and 40 through 43 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

The combining and individual fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the

basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 19, 2015, 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 to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Pellston Public Schools' internal control over financial reporting and compliance.

BAIRD, COTTER AND BISHOP, P.C.

Baird, Cotter & Bishop, P.C.

PELLSTON PUBLIC SCHOOLS
PELLSTON, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED JUNE 30, 2015

This section of Pellston Public Schools' (the "District") annual report presents our discussion and analysis of the District's financial performance during the year ended June 30, 2015. Please read it in conjunction with the District's financial statements, which immediately follows this section.

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

Financial Highlights Section

Government-Wide

- The liabilities of the District exceeded its assets and deferred outflows of resources at the close of the most recent fiscal year by \$10,145,092 creating a deficit net position amount. Of this amount net capital assets net of related debt was a negative \$3,472,621.
- The government's total net deficit decreased by \$1,325,029.

Fund Level

- As of the close of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$954,312, an increase of \$96,191 in comparison with the prior year.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$764,351.

Overview of the Financial Statements

Government-Wide Financial Statements

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

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

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

PELLSTON PUBLIC SCHOOLS
PELLSTON, MICHIGAN

MANAGEMENT’S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED JUNE 30, 2015

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

In the government-wide financial statements, the District’s activities are all shown in one category titled “Governmental Activities”. These activities, including regular and special education, transportation, administration, food services, athletic activities, and community services, are primarily financed with state and federal aids and property taxes.

Fund Financial Statements

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

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

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

The District maintains the following kinds of funds:

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

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

Notes to Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the Government-wide and fund financial statements. The notes to the financial statements can be found on pages 9-39 of this report.

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MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED JUNE 30, 2015

Other Information

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

Summary of Net Position

The following schedule summarizes the net position at fiscal year ended June 30. The prior year has not been restated to include the new GASB No. 68 Standards—*Accounting and Financial Reporting for Pensions*:

	<u>2015</u>	<u>2014</u>
Assets		
Current Assets	\$ 1,437,602	\$ 1,383,439
Capital Assets, Net of Accumulated Depreciation	3,514,468	3,684,312
Total Assets	<u>4,952,070</u>	<u>5,067,751</u>
Deferred Outflows of Resources	<u>903,557</u>	<u>107,726</u>
Liabilities		
Current Liabilities	1,450,490	1,523,921
Long-Term Liabilities	13,705,827	6,995,524
Total Liabilities	<u>15,156,317</u>	<u>8,519,445</u>
Deferred Inflow of Resources	<u>844,402</u>	<u>0</u>
Net Position		
Net Investment in Capital Assets (Deficit)	(3,472,621)	(4,057,570)
Restricted for Specific Purposes	118,750	147,745
Unrestricted (Deficit)	(6,791,221)	565,857
Total Net Position (Deficit)	<u><u>\$ (10,145,092)</u></u>	<u><u>\$ (3,343,968)</u></u>

Analysis of Financial Position

During the fiscal year ended June 30, 2015, the District's net position increased by \$1,325,029. A few of the more significant factors affecting net position during the year are discussed below:

1. Depreciation Expense

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

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MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED JUNE 30, 2015

Depreciation expense is recorded on a straight-line basis over the estimated useful lives of the assets. In accordance with GAAP, depreciation expense is calculated based on the original cost of the asset less an estimated salvage value, where applicable. For the fiscal year ended June 30, 2015, \$405,331 was recorded for depreciation expense.

2. Pension Expense

GASB 68 now requires the District to account for its payments to the Michigan Public School Employees' Retirement System in a manner that has a significant effect on the District's change in net position. Based on various factors, the District may report an increase or decrease in net position depending on whether the District's proportionate share of the net pension liability increase or decreases in any given year. For the year ended June 30, 2015, the District reported an increase in net position related to GASB 68, which indicates that the District's proportionate share of the net pension liability has decreased.

3. Capital Outlay Acquisitions

For the fiscal year ended June 30, 2015, \$237,487 of expenditures for equipment and building improvements were capitalized and recorded as assets of the District. These additions to the District's capital assets will be depreciated over time as explained above.

The net effect of the new capital assets and the current year's depreciation is a decrease to capital assets in the amount of \$169,844 for the fiscal year ended June 30, 2015.

Change in Net Position

The following schedule summarizes the results of operations, on a district-wide basis, for the fiscal year ended June 30. The prior year has not been restated to include the new GASB No. 68 Standards—*Accounting and Financial Reporting for Pensions*:

	<u>2015</u>	<u>2014</u>
Revenues		
Program Revenues		
Charges for Services	\$ 129,514	\$ 127,871
Operating Grants and Contributions	1,978,369	1,803,540
General Revenues		
Property Taxes	3,844,943	3,935,807
Investment Earnings	1,238	961
State Sources	1,494,966	1,493,538
Other	32,192	61,300
	<hr/>	<hr/>
Total Revenues	7,481,222	7,423,017
	<hr/>	<hr/>

PELLSTON PUBLIC SCHOOLS
PELLSTON, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED JUNE 30, 2015

	<u>2015</u>	<u>2014</u>
Expenses		
Instruction	3,345,925	3,916,121
Supporting Services	1,680,324	1,815,320
Athletic Activities	145,621	137,573
Food Service Activities	258,799	308,862
Community Services	714	837
Interest on Long-Term Debt	319,479	355,230
Unallocated Depreciation	405,331	410,555
	<hr/>	<hr/>
Total Expenses	6,156,193	6,944,498
	<hr/>	<hr/>
Change in Net Position	1,325,029	478,519
	<hr/>	<hr/>
<u>Net Position</u> (Deficit) - Beginning of Year	(11,470,121)	(3,822,487)
	<hr/>	<hr/>
<u>Net Position</u> (Deficit) - End of Year	<u>\$ (10,145,092)</u>	<u>\$ (3,343,968)</u>

Financial Analysis of the District's Funds

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

	<u>2015</u>	<u>2014</u>	<u>Increase (Decrease)</u>
Major Funds			
General Fund	\$ 785,499	\$ 456,803	\$ 328,696
Capital Projects	0	197,606	(197,606)
2008 Refunding Debt	82,055	147,456	(65,401)
Nonmajor Funds			
Food Service	50,893	11,447	39,446
2002 Debt Retirement	29,440	34,456	(5,016)
Energy Bonds	0	0	0
2012 School Technology and Equipment	6,425	10,353	(3,928)
2010 QZAB Bonds	0	0	0
2011 QZAB Bonds	0	0	0
	<hr/>	<hr/>	<hr/>
Total Governmental Funds	<u>\$ 954,312</u>	<u>\$ 858,121</u>	<u>\$ 96,191</u>

In 2014-2015, the General Fund balance increased primarily due to the savings resulting from the Early Retirement Incentive (ERI) offered the prior year. In addition, there were several other professional staff

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MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED JUNE 30, 2015

that left and were replaced with new teachers. Also, there was a savings in transportation due to the reduction of one bus route. The district also received additional revenue for Performance Funding and Best Practices.

The Capital Project Fund decreased its fund balance due to purchase of capital outlay.

The 2008 Refunding Fund decreased its fund balance due to the debt service payments being in excess of the millage levied.

The Food Service Fund increased its fund balance due to decreased costs of staff, benefits and food purchases.

The 2002 Debt Retirement Fund decreased its fund balance due to the debt service payments being in excess of the millage levied.

The 2012 School Technology and Equipment decreased its fund balance due to debt service payments being in excess of the tax millage levied.

General Fund Budgetary Highlights

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

For the 2014-2015 fiscal year, the District amended the general fund budget throughout the fiscal year. The following schedule shows a comparison of the original general fund budget, the final amended general fund budget and actual totals from operations:

	<u>ORIGINAL</u> <u>BUDGET</u>	<u>FINAL</u> <u>BUDGET</u>	<u>ACTUAL</u>
<u>REVENUES AND OTHER SOURCES</u>	\$ 5,733,021	\$ 6,112,044	\$ 6,137,674
<u>EXPENDITURES AND OTHER USES</u>			
Instruction	\$ 3,523,579	\$ 3,712,706	\$ 3,712,761
Supporting Services	1,994,434	1,934,433	1,925,959
Community Services	2,644	782	782
Facilities Acquisition	0	17,348	17,348
Transfers and Other Transactions	157,748	152,128	152,128
Total Expenditures and Other Uses	\$ 5,678,405	\$ 5,817,397	\$ 5,808,978

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

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MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED JUNE 30, 2015

Capital Asset and Debt Administration

Capital Assets. The District's investment in capital assets for its governmental activities as of June 30, 2015, amounted to \$3,514,468 (net of accumulated depreciation). This investment in capital assets includes land and improvements, buildings and improvements, vehicles and equipment.

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

	<u>2015</u>	<u>2014</u>
Land and Improvements	\$ 443,750	\$ 445,500
Buildings and Improvements	2,345,678	2,555,904
Vehicles	476,028	380,097
Equipment	249,012	302,811
	<hr/>	<hr/>
Total Capital Assets	\$ 3,514,468	\$ 3,684,312
	<hr/>	<hr/>

Additions to capital assets included:

- Two buses purchased in the amount of \$152,302.
- Preschool building renovation in the amount of \$29,708.
- Welding air filtration system purchased in the amount of \$36,806.
- Camera intercom system purchased in the amount of \$7,880.
- Interactive whiteboards purchased in the amount of \$10,791.

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

Long-Term Debt. At year-end, the District had total bonded debt, installment contracts, net pension liability, and accrued compensation outstanding of \$14,626,827, net of bond discounts and premiums.

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

Factors Bearing on the District's Future

We considered many factors when setting the District's 2015-2016 fiscal year budget.

- In June 2015, approximately 42 students graduated from Pellston High School, either in a traditional or in an alternative education curricula track. Our best estimate will be that we will enroll approximately 40 new students in Kindergarten in the fall of 2015. The District is anticipating an enrollment State Aid Membership of 563 students this fall, a decrease of students from the 2014-2015 membership. Overall enrollment numbers for the District continue to steadily decline, thus impacting the overall district budget. The recent change to the declining enrollment

PELLSTON PUBLIC SCHOOLS
PELLSTON, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED JUNE 30, 2015

blend will also have a negative impact on district revenue. Despite declining enrollment the District will continue to focus on providing high quality educational programs and opportunities for its students. We will continue to make the assumption that our school will continue to qualify for Isolated District funding.

- The general fund budget for 2015-2016 was developed using the following assumptions: The State foundation grant will increase by \$140 per pupil. Unfortunately, the District will no longer have the opportunity to receive and/or apply for the additional categorical funding of Best Practice and Performance Funding revenue which in the previous year has equated to \$120 per pupil. District At-Risk funding will increase by approximately \$79 per student. The overall net increase for the District equates to \$99 per pupil. The Board of Education continues to be pleased to see an effort being made by the State to equalize funding for high vs. low funded districts.
- The District will continue to host two pre-school programs in 2015-2016 utilizing Great Start Readiness Funds (GSRP). Funding from this grant will continue to allow the District to provide high-quality learning programs for young children both within and outside of district boundaries. The District has observed students from other school districts both within and outside of the ISD attending this high-quality program with families then choosing our district as a School of Choice as the child moves to Kindergarten. Furthermore, local data indicates that students who attend this program are better prepared for rigor in the classroom when they enter kindergarten.
- On the expenditure side, the District will not receive funding from federal sources for the Early Learning Enhancement Grant for 2015-2016. This reduces the budget by approximately \$143,500.
- In the area of employee health insurance, the Board approved the hard cap established for school districts as \$5,992.30 for a single subscriber, \$12,531.75 for a two person, and \$16,342.66 for full family. The balance of the premium and any incurred HSA costs is being paid through employee payroll deduction.
- The District has projected revenues to be approximately 5.7 million dollars. The District continues to closely monitor class size and works towards having an appropriate alignment of professional staff and student enrollment be balanced. Additionally, while closely monitoring class size and instructors, the District has moved to a part time business education teacher that in previous years had been a full time position.
- Effective for the 2015-2016 fiscal year, the Board has authorized an administrative team to include Superintendent, Mrs. Monique Dean, Mr. Enos Bacon III continuing his fourth year, and third year Elementary Principal, Mrs. Tamara Pichla. As the District continues to monitor declining enrollment and in turn declining revenues, the Board of Education recently appointed the MS/HS principal to also serve in the capacity of Athletic Director. The Board is pleased with the renewal of these contracts and the administrative consistency they provide to the District as we move forward.

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FOR FISCAL YEAR ENDED JUNE 30, 2015

- Although no state assessment data is currently available, local data indicates that both the Elementary and Middle/High School continue to improve academically. The District continues to focus on mathematics as a critical area for the District. The District will move into year three of mathematics intervention at the middle level, identifying and providing students additional support in mathematics both within and outside of the regular school day. The District continues to monitor middle school intervention data and has moved for the 2015-2016 school year to having the elementary principal be identified as the Middle School Intervention Director. The purpose of this adjustment is two-fold, first the MS/HS principal has recently been assigned to also have the job as Athletic Director and secondly the elementary principal has a model of intervention that at the elementary school that has yielded significant improvements in closing the gap for identified students. Another recent change has been that the middle/high school is now identified as a Targeted Assistance building, thus allowing the district to use Title I to supplement student learning at this level with Title I grant funds, again supporting the model that is currently used at the elementary school and moving a similar model to the middle school.
- The District will continue with its newly approved by the State of Michigan as a Vocationally Certified Career and Technical Education Welding Program at the High School level for the fall of 2015. During the second year of this program, welding will be offered for approximately 90 minutes per day. The success of this program has been tremendous with the District expanding the classroom during the summer of the 2015, thus allowing the program to serve twice as many students as in the previous school year.
- In an ongoing effort to provide students with vocational opportunities at the high school level, during the 2015-2016 year the District, in cooperation with CharEm ISD, will work towards having the new Health Occupation program become certified through the State of Michigan as a Vocational Education program.

Request for Information

The financial report is designed to a general overview of the District's finances for all those with an interest in the District's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Pellston Public Schools, Superintendent of Schools, 172 N. Park Street, Pellston, Michigan 49769-0016.

PELLSTON PUBLIC SCHOOLS
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STATEMENT OF NET POSITION

JUNE 30, 2015

ASSETS

CURRENT ASSETS

Cash and Cash Equivalents	\$ 731,628
Investments	16,281
Accounts Receivable	14,278
Due from External Parties (Fiduciary Fund)	78
Due from Other Governments	650,326
Inventories	25,011

Total Current Assets 1,437,602

NON CURRENT ASSETS

Capital Assets	15,492,298
Less Accumulated Depreciation	<u>(11,977,830)</u>

Total Non Current Assets 3,514,468

TOTAL ASSETS 4,952,070

DEFERRED OUTFLOWS OF RESOURCES

Subsequent Pension Contributions	527,274
Changes of Assumptions in Pension Plan	281,832
Changes in Proportion and Differences Between District Pension Contributions and Their Proportionate Share of Contributions	190
Deferred Charge on Refunding	<u>94,261</u>

TOTAL DEFERRED OUTFLOWS OF RESOURCES 903,557

LIABILITIES

CURRENT LIABILITIES

Accounts Payable	48,301
Accrued Expenses	134,334
Accrued Interest	46,200
Salaries Payable	274,790
Unearned Revenue	25,865
Current Portion of Non Current Liabilities	<u>921,000</u>

Total Current Liabilities 1,450,490

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

PELLSTON PUBLIC SCHOOLS
PELLSTON, MICHIGAN

STATEMENT OF NET POSITION

JUNE 30, 2015

<u>NON CURRENT LIABILITIES</u>	
Bonds Payable - Net	6,987,089
Compensated Absences	1,572
Net Pension Liability	7,638,166
Less Current Portion of Non Current Liabilities	<u>(921,000)</u>
 Total Non Current Liabilities	 <u>13,705,827</u>
 TOTAL LIABILITIES	 <u>15,156,317</u>
 <u>DEFERRED INFLOWS OF RESOURCES</u>	
Net Difference Between the Projected and Actual Pension Investment Earnings	<u>844,402</u>
 <u>NET POSITION</u>	
Net Investment in Capital Assets (Deficit)	(3,472,621)
Restricted for Debt Service	71,720
Restricted for Food Service	47,030
Unrestricted (Deficit)	<u>(6,791,221)</u>
 TOTAL NET POSITION - (DEFICIT)	 <u><u>\$ (10,145,092)</u></u>

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

PELLSTON PUBLIC SCHOOLS
PELLSTON, MICHIGAN

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2015

FUNCTIONS/PROGRAMS	EXPENDITURES	PROGRAM REVENUES			GOVERNMENTAL ACTIVITIES
		CHARGES FOR SERVICES	OPERATING GRANTS	CAPITAL GRANTS	NET (EXPENSE) REVENUE AND CHANGES IN NET POSITION
<u>GOVERNMENTAL ACTIVITIES</u>					
Instruction	\$ 3,345,925	\$ 13,089	\$ 1,414,581	\$ 0	\$ (1,918,255)
Supporting Services	1,680,324	18,689	271,155	0	(1,390,480)
Athletic Activities	145,621	42,965	2,634	0	(100,022)
Food Service Activities	258,799	54,771	251,054	0	47,026
Community Services	714	0	782	0	68
Interest on Long-Term Debt	319,479	0	38,163	0	(281,316)
Unallocated Depreciation	405,331	0	0	0	(405,331)
Total Governmental Activities	\$ 6,156,193	\$ 129,514	\$ 1,978,369	\$ 0	(4,048,310)
<u>GENERAL REVENUES</u>					
Property Taxes - Levied for General Purposes					2,845,392
Property Taxes - Levied for Debt Service					999,551
Investment Earnings					1,238
State Sources					1,494,966
Other					32,192
Total General Revenues					5,373,339
Change in Net Position					1,325,029
<u>NET POSITION</u> - Beginning of Year - (Deficit-as restated)					(11,470,121)
<u>NET POSITION</u> - End of Year - (Deficit)					\$ (10,145,092)

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

PELLSTON PUBLIC SCHOOLS
PELLSTON, MICHIGAN

BALANCE SHEET
GOVERNMENTAL FUNDS

JUNE 30, 2015

	GENERAL FUND	CAPITAL PROJECTS FUND	2008 REFUNDING DEBT RETIREMENT FUND	OTHER NONMAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
<u>ASSETS</u>					
Cash and Cash Equivalents	\$ 615,380	\$ 0	\$ 79,745	\$ 36,503	\$ 731,628
Investments	16,281	0	0	0	16,281
Accounts Receivable	13,469	0	0	809	14,278
Due from Other Funds	78	0	2,310	41,887	44,275
Due from Other Governments	643,793	0	0	6,533	650,326
Inventory	21,148	0	0	3,863	25,011
TOTAL ASSETS	\$ 1,310,149	\$ 0	\$ 82,055	\$ 89,595	\$ 1,481,799
<u>LIABILITIES AND FUND BALANCES</u>					
<u>LIABILITIES</u>					
Accounts Payable	\$ 46,569	\$ 0	\$ 0	\$ 1,732	\$ 48,301
Due to Other Funds	44,197	0	0	0	44,197
Accrued Expenditures	133,908	0	0	426	134,334
Salaries Payable	274,111	0	0	679	274,790
Unearned Revenue	25,865	0	0	0	25,865
Total Liabilities	524,650	0	0	2,837	527,487
<u>FUND BALANCE</u>					
Nonspendable:					
Inventory	21,148	0	0	3,863	25,011
Restricted:					
Debt Service	0	0	82,055	35,865	117,920
Food Service	0	0	0	47,030	47,030
Unassigned	764,351	0	0	0	764,351
Total Fund Balances	785,499	0	82,055	86,758	954,312
TOTAL LIABILITIES AND FUND BALANCES	\$ 1,310,149	\$ 0	\$ 82,055	\$ 89,595	\$ 1,481,799

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

PELLSTON PUBLIC SCHOOLS
PELLSTON, MICHIGAN

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

JUNE 30, 2015

Total Governmental Fund Balances \$ 954,312

Amounts reported for governmental activities in the Statement of
Net Position are different because:

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

The cost of the capital assets is	\$ 15,492,298	
Accumulated depreciation is	<u>(11,977,830)</u>	3,514,468

Bond discounts and issuance costs for bonds issued are expenditures
at the modified accrual fund level, but are capitalized and written off
over the life of bonds payable at the district-wide full accrual level.

Deferred (Gain) Loss on Refunding	94,261
Bond Discount (Premium)	(42,089)

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

Bonds Payable	(6,945,000)
Compensated Absences	(1,572)

Some liabilities, including net pension obligations, are not due and payable
and payable in the current period and, therefore, are not reported in the
funds.

Net Pension Liability	(7,638,166)
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Deferred outflows and (inflows) of resources related to pensions are applicable
to future periods and, therefore, are not reported in the funds.

Subsequent Pension Contributions	527,274
Changes of Assumptions in Pension Plan	281,832
Changes in Proportion and Differences Between Districts Pension Contribution and Their Proportionate Share of Contributions	190
Net Difference Between the Projected and Actual Pension Investment Earnings	(844,402)

Accrued interest is not included as a liability in governmental funds, it is recorded when paid.	<u>(46,200)</u>
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NET POSITION OF GOVERNMENTAL ACTIVITIES	<u><u>\$ (10,145,092)</u></u>
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The notes to the financial statements are an integral part of this statement.

PELLSTON PUBLIC SCHOOLS
PELLSTON, MICHIGAN

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

YEAR ENDED JUNE 30, 2015

	GENERAL FUND	CAPITAL PROJECTS FUND	2008 REFUNDING DEBT RETIREMENT FUND	OTHER NONMAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
<u>REVENUES</u>					
Local Sources	\$2,967,030	\$ 0	\$ 692,224	\$ 364,107	\$ 4,023,361
State Sources	2,378,339	0	0	10,252	2,388,591
Federal Sources	414,317	0	0	278,965	693,282
Other Transactions	377,988	0	0	0	377,988
Total Revenues	6,137,674	0	692,224	653,324	7,483,222
<u>EXPENDITURES</u>					
Instruction	3,712,761	0	0	0	3,712,761
Supporting Services	1,776,137	0	0	0	1,776,137
Athletic Activities	149,822	0	0	0	149,822
Food Service Activities	0	0	0	267,763	267,763
Community Services	782	0	0	0	782
Facilities Acquisition	17,348	0	0	0	17,348
Capital Outlay	0	197,602	0	0	197,602
Debt Service					
Principal	0	0	525,000	421,000	946,000
Interest and Fees	0	0	232,625	86,191	318,816
Total Expenditures	5,656,850	197,602	757,625	774,954	7,387,031
Excess (Deficiency) of Revenues Over (Under) Expenditures	480,824	(197,602)	(65,401)	(121,630)	96,191
<u>OTHER FINANCING SOURCES (USES)</u>					
Transfers In	0	0	0	152,132	152,132
Transfers Out	(152,128)	(4)	0	0	(152,132)
Total Other Financing Sources (Uses)	(152,128)	(4)	0	152,132	0
Net Change in Fund Balance	328,696	(197,606)	(65,401)	30,502	96,191
<u>FUND BALANCE</u> - Beginning of Year	456,803	197,606	147,456	56,256	858,121
<u>FUND BALANCE</u> - End of Year	\$ 785,499	\$ 0	\$ 82,055	\$ 86,758	\$ 954,312

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

PELLSTON PUBLIC SCHOOLS
PELLSTON, MICHIGAN

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

YEAR ENDED JUNE 30, 2015

Net Change in Fund Balances Total Governmental Funds \$ 96,191

Amounts reported for governmental activities are different because:

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

Depreciation Expense	(405,331)
Capital Outlay	237,487
Cost of Capital Assets Sold or Disposed of	(2,000)

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

Accrued Interest Payable - Beginning of Year	52,603
Accrued Interest Payable - End of Year	(46,200)

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

Repayment of Bond Principal	946,000
Amortization of Deferred Charges	(7,066)

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

Accumulated Sick Pay - Beginning of Year	2,036
Accumulated Sick Pay - End of Year	(1,572)

Governmental funds report district pension contributions as expenditures. However, in the Statement of Activities, the cost of pension benefits earned net of employee contributions is reported as a pension expense

Changes in Net Pension Liability	487,987
Changes in Subsequent Pension Contributions	527,274
Net Changes of Assumptions in Pension Plan	281,832
Net Changes in Proportion and Differences Between Districts Pension Contribution and Their Proportionate Share of Contributions	190
Changes in Net Difference Between the Projected and Actual Pension Investment Earnings	(844,402)

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES \$ 1,325,029

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

PELLSTON PUBLIC SCHOOLS
PELLSTON, MICHIGAN

STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS

JUNE 30, 2015

	<u>AGENCY FUNDS</u>
<u>ASSETS</u>	
Cash and Cash Equivalents	\$ 65,661
Investments	<u>59,126</u>
 TOTAL ASSETS	 <u>124,787</u>
 <u>LIABILITIES</u>	
Due to Groups and Organizations	124,709
Due to Other Funds	<u>78</u>
 TOTAL LIABILITIES	 <u>124,787</u>
 <u>NET POSITION</u>	 <u><u>\$ 0</u></u>

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

PELLSTON PUBLIC SCHOOLS
PELLSTON, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

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

B. Description of Government-Wide Financial Statements

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

C. Basis of Presentation – Government-Wide Financial Statements

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

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

D. Basis of Presentation – Fund Financial Statements

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

PELLSTON PUBLIC SCHOOLS
PELLSTON, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

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

The District reports the following major governmental funds:

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

The *Capital Projects Fund* accounts for the acquisition of capital assets or construction of major capital projects.

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

Other Non-Major Funds:

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

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

Additionally, the District reports the following fund type:

Fiduciary funds are accounted for using the accrual method of accounting. Fiduciary funds account for assets held by the District in a trustee capacity or as an agent on behalf of others. This fund is custodial in nature and does not involve measurement of results of operations. Accordingly, it presents only a statement of fiduciary net position and does not present a statement of changes in fiduciary net position. Trust funds account for assets held by the District under the terms of a formal trust agreement. Fiduciary funds are not included in the government-wide statements.

The District reports the following fiduciary fund:

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

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

PELLSTON PUBLIC SCHOOLS
PELLSTON, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

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

E. Measurement Focus and Basis of Accounting

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

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

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment.

In the government-wide statement of net position, the governmental activities column (a) is presented on a consolidated basis, (b) and is reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The District's net position are reported in three parts – net investment in capital assets, net of related debt; restricted net position; and unrestricted net position.

The government-wide statement of activities reports both the gross and net cost of each of the District's functions. The functions are also supported by general government revenues (property taxes, certain intergovernmental revenues, fines, permits and charges, etc.). The statement of activities reduces gross expenses by related program revenues and operating grants. Program revenues must be directly associated with the function. Operating grants include operating-specific and discretionary (either operating or capital) grants.

The net costs (by function) are normally covered by general revenue (property taxes, state sources, intermediate district sources, interest income and other revenues).

This government-wide focus is more on the sustainability of the District as an entity and the change in the District's net position resulting from the current year's activities.

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

PELLSTON PUBLIC SCHOOLS
PELLSTON, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term 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. Entitlements are recorded as revenues when all eligibility requirements are met, including any time requirements, and the amount is received during the period or within the availability period for this revenue resource (within 60 days of year end). Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year end). All other revenue items are considered to be measurable and available only when cash is received by the government.

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

F. Budgetary Information

1. Budgetary Basis of Accounting

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

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

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

- a) In June, the superintendent submits to the school board a proposed operating budget for the fiscal year commencing on July 1.
- b) A public hearing is conducted during June to obtain taxpayer comments.

PELLSTON PUBLIC SCHOOLS
PELLSTON, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

- c) Prior to June 30, the budget is legally adopted by the School Board resolution pursuant to the Uniform Budgeting and Accounting Act. The Act requires that the budget be amended prior to the end of the fiscal year, when necessary, to adjust appropriations if it appears that revenues and other financial sources will be less than anticipated, or so that expenditures will not be in excess of original estimates. Expenditures shall not be made or incurred, unless authorized in the budget, in excess of the amount appropriated.
- d) The superintendent is charged with general supervision of the budgets and shall hold the department heads responsible for performance of their responsibilities.
- e) For purposes of meeting emergency needs of the school district, transfer of appropriations may be made by the authorization of the superintendent. Such transfers of appropriations must be approved by the Board of Education at its next regularly scheduled meeting.
- f) During the year the budgets are monitored and amendments to the budget resolution are made when it is deemed necessary.
- g) Budgeted amounts are as originally adopted on June 30, 2014, or as amended by the School Board of Education throughout the year.

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

1. Cash and Investments

Cash includes amounts in demand deposits.

Investments are carried at market value.

The District complies with State statutes regarding investment of funds.

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

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

The School's deposits and investments are held separately by several of the School District's funds.

PELLSTON PUBLIC SCHOOLS
PELLSTON, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

2. *Inventory and Prepaid Items*

Inventories are valued at cost. Inventory in the General Fund consists of land being held for future use by the Building Trades Program. Inventories in the special revenue funds consisting of expendable supplies held for consumption, are recorded as expenditures when consumed rather than when purchased. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid expenditures.

3. *Capital Assets*

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

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

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

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

4. *Compensated Absences*

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

5. *Long-Term Obligations*

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

PELLSTON PUBLIC SCHOOLS
PELLSTON, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

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

6. *Deferred Outflows/Inflows of Resources*

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District has four items that qualify for reporting in this category. The first is the deferred charge on refunding 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 funding debt. The other three are related to the pension plan for its employees. Details can be found in footnote 2.F.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. The separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District has one item that qualifies for reporting in this category, which is related to the pension plan for its employees. Details can be found in footnote 2.F.

7. *Pension*

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension 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.

8. *Net Position Flow Assumption*

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

PELLSTON PUBLIC SCHOOLS
PELLSTON, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

9. *Fund Balance Flow Assumption*

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

10. *Fund Balance Policies*

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

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

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

11. *Use of Estimates*

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

PELLSTON PUBLIC SCHOOLS
PELLSTON, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

H. Revenues and Expenditures/Expenses

1. State Revenue

The State of Michigan utilizes a foundation grant approach which provides for a specific annual amount of revenue per pupil based on a statewide formula. The Foundation is funded from state and local sources. Revenues from state sources are primarily governed by the School Aid Act and the School Code of Michigan. The Michigan Department of Education administers the allocation of state funds to school districts based on information supplied by the districts. For the year ended June 30, 2015 the foundation allowance was based on pupil membership counts taken in October 2014 and February 2015. For fiscal year ended June 30, 2015, the per pupil foundation allowance was \$7,126 for Pellston Public Schools.

The state portion of the foundation is provided primarily by a state education property tax millage of 6 mills and an allocated portion of state sales and other taxes. The local portion of the foundation is funded primarily by non-homestead property taxes, which may be levied at a rate of up to 18 mills. The State revenue is recognized during the foundation period and is funded through payments from October 2014 to August 2015. Thus, the unpaid portion at June 30th is reported as due from other governmental units.

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

2. Program Revenues

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

3. Property Taxes

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

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For the year ended June 30, 2015, the District levied the following amounts per \$1,000 of taxable valuation:

<u>Fund</u>	<u>Mills</u>
General Fund - Non-Homestead	18.0000
General Fund - Non-Homestead Commercial PPT	6.0000
Debt Service Fund - Homestead and Non-Homestead	3.3700

NOTE 2 – DETAILED NOTES ON ALL ACTIVITIES AND FUNDS

A. Deposits and Investments

Custodial Credit Risk – Deposits. In the case of deposits, this is the risk that in the event of a bank failure, the government’s deposits may not be returned to it. As of June 30, 2015, the District’s bank balance was \$839,143 and \$471,582 of that amount was exposed to custodial credit risk because it was uninsured and uncollateralized. Of the \$471,582 of uninsured funds, \$398,508 was in the governmental funds and \$73,074 was in the fiduciary funds. Although the District’s investment policy does not directly address custodial credit risk, it typically limits its exposure by purchasing insured or registered investments or by controlling who holds the deposits.

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

Custodial Credit Risk –Investments. For an investment, this is the risk that, in the event of the failure of the counterparty, the government will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The District’s investments are categorized to give an indication of the level of risk assumed by the District at year end. Category 1 includes investments that are insured or registered, or securities held by the District or the District’s agent in the District’s name. Although the District’s investment policy does not directly address custodial credit risk, it typically limits its exposure by purchasing insured or registered investments or by controlling who holds the investments.

Category 2 includes investments that are uninsured and unregistered with securities held by the counterparty’s trust department or its agent in the District’s name. Category 3 includes investments that are uninsured and unregistered, with the securities held by the counterparty, or by its trust department or its agent but not in the District’s name. At year end all of the District’s investments were uncategorized as to risk.

The District invests certain excess funds in the Michigan Investment Liquid Asset Fund (MILAF). MILAF is an external pooled investment fund of “qualified” investments for Michigan school districts. MILAF is not regulated nor is it registered with the SEC. MILAF reports that as of June 30, 2015, the fair value of the District’s investments is the same as the value of the pool shares.

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Balance sheet classifications:

	Petty Cash	Deposits	Investments	Fiduciary Assets	Total
Cash	\$ 800	\$ 730,828	\$ 0	\$ 65,661	\$ 797,289
Investments	0	0	16,281	59,126	75,407
	<u>\$ 800</u>	<u>\$ 730,828</u>	<u>\$ 16,281</u>	<u>\$ 124,787</u>	<u>\$ 872,696</u>

B. Receivables

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

	General	Nonmajor and Other Funds	Total
Receivables			
Accounts	\$ 13,469	\$ 809	\$ 14,278
Due from Other Governments	643,793	6,533	650,326
Total Receivables	<u>\$ 657,262</u>	<u>\$ 7,342</u>	<u>\$ 664,604</u>

Amounts due from other governments include amounts due from federal, state, and local sources for various projects and programs.

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

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C. Capital Assets

Capital assets activity for the year ended June 30, 2015, was as follows:

	Balance July 1, 2014	Additions	Deletions	Balance June 30, 2015
Capital Assets not Being Depreciated:				
Land	\$ 435,000	\$ 0	\$ 0	\$ 435,000
Capital Assets Being Depreciated				
Land Improvements	75,000	0	0	75,000
Buildings and Improvements	12,594,909	66,514	0	12,661,423
Vehicles	703,335	152,302	54,298	801,339
Equipment	1,500,865	18,671	0	1,519,536
Subtotal	14,874,109	237,487	54,298	15,057,298
Less Accumulated Depreciation For:				
Land Improvements	(64,500)	(1,750)	0	(66,250)
Buildings and Improvements	(10,039,005)	(276,740)	0	(10,315,745)
Vehicles	(323,238)	(54,371)	52,298	(325,311)
Equipment	(1,198,054)	(72,470)	0	(1,270,524)
Total Accumulated Depreciation	(11,624,797)	(405,331)	52,298	(11,977,830)
Total Capital Assets Being Depreciated, Net	3,249,312	(167,844)	2,000	3,079,468
Capital Assets, Net	\$ 3,684,312	\$ (167,844)	\$ 2,000	\$ 3,514,468

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

Governmental Activities	
Unallocated	\$ 405,331
Total Depreciation Expense - Governmental Activities	\$ 405,331

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D. Defined Benefit Plan and Post-Retirement Benefits

Plan Description - The District participates in the statewide Michigan Public School Employees' Retirement System (MPERS) which 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. Detailed information about the pension plan's fiduciary net position is available in the separately issued Michigan Public School Employees Retirement System 2013 Comprehensive Annual Financial Report, available here:
<http://michigan.gov/orsschools/0,1607,7-206-36585---,00.html>

Benefit Provisions – Pension

Introduction

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.

A DB member or Pension Plus plan member who leaves Michigan public school employment may request a refund of his or her member contributions to the retirement system account. A refund cancels a former member's rights to future benefits. However, returning members who previously received a refund of their contributions may reinstate their services through repayment of the refund upon satisfaction of certain requirements.

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 (MPERS) who became a member of MPERS 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

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leave of absence of 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.

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.

Option 3 – members voluntarily elected not to increase their contribution to the pension fund and maintain their current level of contribution to 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 services as of their transition date. As a DC participant they receive a 4% employer contribution to a 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.

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Employees who first work on or after September 4, 2012, choose between two retirement plans: the Pension Plus plan described above and a Defined Contribution (DC) plan that provides 50% employer match (up to 3% of salary) on employee contributions. New employees are automatically enrolled as members in the Pension Plus plan as of their date of hire. They have 75 days from the last day of their first pay period, as reported to ORS, to elect to opt out of the Pension Plus plan and become a qualified participant in the DC plan; if no election is made they will remain in the Pension Plus plan. If they elect to opt out of the Pension Plus plan, their participation in the DC plan will be retroactive to their date of hire.

Regular Retirement

The retirement benefit for DB and Pension Plus plan members is based on a member's years of credited service (employment) and final average compensation (FAC). The FAC is calculated based on the member's highest total wages earned during a specific period of consecutive calendar months divided by the service credit accrued during that same time period. For a Member Investment Plan (MIP) member, who became a member of MPSERS prior to July 1, 2010, the averaging period is 36 consecutive months. For a Pension Plus member, who became a member of MPSERS after June 30, 2010, the averaging period is 60 consecutive months. For a Basic Plan member, this period is the 60 consecutive months yielding the highest total wages. 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 and is shown below:

Option 1: $FAC \times \text{total years of service} \times 1.5\%$

Option 2: $FAC \times 30 \text{ years of service} \times 1.5\% + FAC \times \text{years of service beyond 30} \times 1.25\%$

Option 3: $FAC \times \text{years of service as of transition date} \times 1.5\% + FAC \times \text{years of service after transition date} \times 1.25\%$

Option 4: $FAC \text{ as of transition date} \times \text{years of service as of transition date} \times 1.5\%$

A MIP member who became a member of MPSERS prior to July 1, 2010 may retire at:

- age 46 with 30 or more years of credited service; or
- age 60 with 10 or more years of credited service; or
- age 60 with 5 years of credited service provided the member has worked through his or her 60th birthday and has credited service in each of the five school fiscal years immediately preceding the retirement effective date.

A Pension Plus member who became a member of MPSERS after June 30, 2010 may retire at age 60 with 10 or more years of credited service.

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A Basic Plan member may retire at:

- age 55 with 30 or more years of credited service; or
- age 60 with 10 or more years of credited service.

There is no mandatory retirement age.

Early Retirement

A member may retire with an early permanently reduced pension:

- after completing at least 15 but less than 30 years of credited service; and
- after attaining age 55; and
- with credited service in each of the 5 school years immediately preceding the pension effective date.

The early pension is computed in the same manner as a regular pension, but is permanently reduced 0.5% for each full and partial month between the pension effective date and the date the member will attain age 60.

Deferred Retirement

If a member terminates employment before attaining the age qualification, but after accruing 10 or more years of credited service, the member becomes a deferred member and is eligible for a pension at the time the age qualification is attained.

Non-Duty Disability Benefit

A member with 10 or more years of credited service who becomes totally and permanently disabled due to any non-duty related cause and who has not met the age requirement for a regular pension is eligible for a non-duty disability pension computed in the same manner as an age and service pension, upon recommendation from the member's personal physician and the Retirement Board physician and the approval of the Retirement Board. An Annual Certification of Disability is conducted each January. Upon prior approval, total disability benefits plus authorized outside earnings are limited to 100% of final average compensation (increased by two percent for each year retired; first year 100%, next year 102%, etc).

Duty Disability Benefit

A member who becomes totally and permanently disabled as a result of a duty-related cause, who has not met the age and service requirement for a regular pension, and who is in receipt of weekly

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workers' compensation is eligible for a duty disability pension computed in the same manner as an age and service pension (but based upon a minimum of 10 years of service) upon recommendation from the member's personal physician and the Retirement Board physician and the approval of the Retirement Board. An Annual Certification of Disability is conducted each January. Upon prior approval, total disability benefits plus authorized outside earnings are limited to 100% of final average compensation (increased by two percent for each year retired; first year 100%, next year 102%, etc).

Forms of Payment

The election of a pension option is made at the time of application. Once a member has retired, the option choice is irrevocable. The pension effective date is the first of the calendar month following the date the member has satisfied the age and service requirements, has terminated public school employment and has the completed application forms on file with System for a period of 15 days. A retroactive pension can be paid for no more than 12 calendar months. Thus, delay in filing the application can result in a loss of some retroactive pension benefits. An applicant may select only one of the following options.

Straight Life Pension – The Straight Life Pension pays the largest level pension a retiree can receive during his or her lifetime and stops with the month of a retiree's death. There are no monthly benefits for a beneficiary. The pension benefit is computed with no beneficiary rights. If the retiree made contributions while an employee and has not received the total accumulated contributions before death, a refund of the balance of the contributions is made to the beneficiary of record. If the retiree did not make any contributions, there will not be payments to any beneficiaries.

Survivor Options – Under the Survivor Options, 100% Survivor Pension, 100% Equated, 75% Survivor Pension, 75% Equated, 50% Survivor Pension and 50% Equated, the reduction is an actuarial determination dependent upon the combined life expectancies of a retiree and a beneficiary, and varies from case to case. A beneficiary may only be a spouse, brother, sister, parent or child (including an adopted child) of a retiring member. If the beneficiary predeceases a retiree, the pension will revert to either the Straight Life or Straight Life Equated amount ("pop-up" provision). If, however, a retiree was single at the time of retirement and subsequently married, the retiree can request to nominate a new spouse if they elected the straight life option at retirement. Also, if a retiree was married at the time of retirement and has since been widowed and remarried, the retiree can request to nominate a new spouse as a pension beneficiary as long as they elected a survivor option for the spouse at the time of retirement.

100% Survivor Pension – Pays a reduced pension to a retiree. The month after a retiree's death, the same amount will be paid to a designated beneficiary for the remainder of his or her lifetime.

75% Survivor Pension – Pays a reduced pension to a retiree. The month after a retiree's death, 75% of the pension amount will be paid to a designated beneficiary for the remainder of his or her lifetime.

50% Survivor Pension – Pays a reduced pension to a retiree. The month after a retiree's death, 50% of the pension amount will be paid to a designated beneficiary for the remainder of his or her lifetime.

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Equated Plan – The Equated Plan may be combined with the Straight Life, 100% Survivor, 75% Survivor, or 50% Survivor Pension by any member under age 61, except a disability applicant. The Equated Plan provides a higher pension every month until age 62, at which time the monthly pension is permanently decreased to a lower amount than the Straight Life, 100%, 75%, or 50% Survivor alone would provide.

The intent of the Equated Plan is for the retiree's pension to decrease at age 62 by approximately the same amount as that person's Social Security benefit will provide. The System pension until age 62 should be about the same as the combined System pension and Social Security after age 62.

The projected Social Security pension the retiring member obtains from the Social Security Administration and furnishes to the System is used in the Equated Plan calculation. The actual Social Security pension may vary from the estimate.

NOTE: The reduction in the pension at age 62 pertains to the Equated Plan only and affects only the retiree. A beneficiary under 100% Equated, 75% Equated, or 50% Equated will receive the 100%, 75%, or 50% Survivor amount the month following the retiree's death as if the Equated Plan had not been chosen. A beneficiary does not participate in the Equated Plan.

Survivor Benefit

A non-duty survivor pension is available if a Member Investment Plan (MIP) member has 10 years of credited service or, if age 60 or older, with five years of credited service; the date they became a MIP member does not matter. The Basic Plan provides a survivor pension with 15 years of credited service or, if age 60 or older, with 10 years of credited service. An active member may nominate as a survivor beneficiary a spouse, child(ren) (including adopted child(ren)), brother, sister, or parent. If other than the spouse is nominated and a spouse exists, the spouse must waive this benefit. If no beneficiary has been nominated, the beneficiary is automatically the spouse; or, if there is no spouse, unmarried children under age 18 share the benefit equally until age 18. The benefit is computed as a regular pension but reduced in accordance with an Option 2 (100% survivor pension factor). The pension begins the first of the month following the member's death. In the event of the death of a deferred member, the System begins payment to the nominated beneficiary at the time the member would have attained the minimum age qualification.

A duty survivor pension is payable if weekly Workers' Compensation is being paid to the eligible beneficiary due to the member's death. A spouse receives the benefit (based on a minimum of 10 years of service credit) reduced in accordance with a 100% survivor pension factor. If there is no spouse, unmarried children under age 18 share the benefit equally until age 18; if there is no spouse or child(ren), a disabled and dependent parent is eligible.

Post-Retirement Adjustments

A retiree who became a Member Investment Plan (MIP) member prior to July 1, 2010, receives an annual post-retirement non-compounded increase of three percent of the initial pension in the October

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following twelve months of retirement. Basic Plan members do not receive an annual post-retirement increase, but are eligible to receive a supplemental payment in those years when investment earnings exceed actuarial assumptions. Pension Plus members do not receive an annual post-retirement increase.

On January 1, 1990, pre-October 1, 1981 retirees received an increase that ranged from 1% to 22% dependent upon the pension effective date. On October 1, 1990, the base pension of all retirees with an effective pension date of January 1, 1987, or earlier was increased to include all prior post-retirement adjustments.

On January 1, 1986, all recipients through calendar year 1985 received a permanent 8% increase that established the 1986 base pension. In addition, each October, retirees with a pension effective date of January 1, 1987, or earlier receive a fixed increase equal to 3% of the base pension. Both increases are deducted from the distribution of excess investment income, if any. Beginning in 1983, eligible recipients receive an annual distribution of excess investment income, if any.

Contributions

The majority of the members currently participate on a contributory basis, as described above under "Benefits Provided". Districts are required by Public Act 300 of 1980, as amended, to contribute amounts necessary to finance the coverage of members and retiree Other Post-Employment Benefits (OPEB). Contribution provisions are specified by State statute and may be amended only by action of the State Legislature.

Employer contributions to the System are determined on an actuarial basis using the entry age normal actuarial cost method. Under this method, the actuarial present value of the projected benefits of each individual included in the actuarial valuation is allocated on a level basis over the service of the individual between entry age and assumed exit age. The portion of this cost allocated to the current valuation year is called the normal cost. The remainder is called the actuarial accrued liability. Normal cost is funded on a current basis. For retirement and OPEB benefits, the unfunded (overfunded) actuarial accrued liability as of September 30, 2014 valuation will be amortized over a 22 year period for the 2014 fiscal year. The schedule below summarizes pension contribution rates in effect for fiscal year 2014.

Pension Contribution Rates

<u>Benefit Structure</u>	<u>Member</u>	<u>Employer</u>
Basic	0.0-4.0%	18.34-19.61%
Member Investment Plan	3.0-7.0%	18.34-19.61%
Pension Plus	3.0-6.4%	18.11%
Defined Contribution	0.0%	15.44-16.61%

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The System may reconcile with actuarial requirement annually. If the system reconciles in a year, any funding excess or deficiency for pension benefits is smoothed over a maximum of 5 years, with at least one-fifth (20%) of the funding excess or deficiency included in the subsequent year's contribution. This payment is not recognized as a payable or receivable in the accounting records. If the System does not reconcile in a year, any funding excess or deficiency for pension benefits is accounted for in subsequent required contributions over the remaining amortization period. For fiscal year 2014, the System did not reconcile.

In May 1996, the Internal Revenue Service issued a private letter ruling allowing the System's members to purchase service credit and repay refunds using tax-deferred (pre-tax) dollars. The program was implemented in fiscal year 1998, and payments began in fiscal year 1999.

The program allows members to purchase service credit and repay refunds on a tax-deferred basis. Members sign an irrevocable agreement that identifies the contract duration, monthly payment, total contract amount and years of service credit being purchased. The duration of the contract can range from 1 to 20 years. The amounts are withheld from members' paychecks and are treated as employer pick-up contributions pursuant to Internal Revenue Code Section 414(h). At September 30, 2014, there were 16,503 agreements. The agreements were discounted using the assumed actuarial rate of return of 8% for September 30, 2014. The average remaining length of a contract was approximately 6.0 years for 2014. The short-term receivable was \$29.7 million and the discounted long-term receivable was \$83.6 million at September 30, 2014.

Benefit Provisions – Other Postemployment

Introduction

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, is currently funded on a cash disbursement basis. Beginning fiscal year 2013, it will be funded on a prefunded basis. The System has contracted to provide the comprehensive group medical, hearing, 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.

Public Act 75 of 2010 requires each actively employed member of MPSERS after June 30, 2010 to annually contribute 3% of their compensation to offset employer contributions for health care benefits

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of current retirees. Dependents are eligible for health care coverage if they meet the dependency requirements set forth in Public Act 300 of 1980, as amended.

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 December 1, 2012.

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.

Members who did not make an election before the deadline retain the subsidy benefit and continue making the 3% contribution toward retiree healthcare. Deferred or nonvested members on September 3, 2012 who are rehired on September 4, 2012, will contribute 3% contribution to retiree healthcare and will retain the subsidy benefit. Returning members who made the retirement healthcare election will retain whichever option they choose.

Those who elected to retain the premium subsidy continue to annually contribute 3% of compensation into the healthcare funding account. A member or former member age 60 or older, who made the 3% healthcare contributions but who does not meet eligibility requirements may request a refund of their contributions. Similarly, if a retiree dies before the total value of the insurance subsidy paid equals the total value of the contributions the member made, and there are no eligible dependents, the beneficiary may request a refund of unused funds. Refunds of member contributions to the healthcare funding account are issued as a supplemental benefit paid out over a 60 month period.

1. Retirees with at least 21 years of service, who terminate employment after October 31, 1980, with vested deferred benefits, are eligible for subsidized employer paid health benefit coverage.
2. A delayed subsidy applies to retirees who became a member of the retirement system before July 1, 2008 and who purchased service credit on or after July 1, 2008. Such individuals are eligible for premium subsidy benefits at age 60 or when they would have been eligible to retire

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without having made a service purchase, whichever comes first. They may enroll in the insurances earlier, but are responsible for the full premium until the premium subsidy begins.

Under Public Act 300 of 2012, the state no longer offers an insurance premium subsidy in retirement for public school employees who first work on or after September 4, 2012. Instead, all new employees will be placed into the Personal Healthcare Fund where they will have support saving for retirement healthcare costs in the following ways:

- They will be automatically enrolled in a 2% employee contribution into a 457 account as of their date of hire, earning them a 2% employer match into a 401(k) account.
- They will receive a credit into a Health Reimbursement Account (HRA) at termination if they have at least 10 years of service at termination. The credit will be \$2,000 for participants who are at least 60 years of age at termination or \$1,000 for participants who are less than 60 years of age at termination.

Participants in the Personal Healthcare Fund, who become disabled for any reason, are not eligible for any employer funded health insurance premium subsidy. If a PHF participant suffers a non-duty related death, his or her health benefit dependents are not eligible to participate in any employer funded health insurance premium subsidy. If a PHF participant suffers a duty death, the state will pay the maximum health premium allowed by statute for the surviving spouse and health benefit dependents. The spouses' insurance subsidy may continue until his or her death, the dependents' subsidy may continue until their eligibility ends (through marriage, age, or other event). Upon eligibility for a duty death benefit, the 2% employer matching contributions and related earnings in the PHF 401(k) are forfeited and the state will pay for the subsidy payments. The beneficiaries receive the member's personal contributions and related earnings in the PHF 457 account.

Other Information

On June 28, 2010, the Michigan Court of Claims issued an injunction in response to a challenge to the authority of the State to require employees who began working before July 1, 2010, to contribute 3% of reportable wages to the retiree healthcare trust as MPSERS. As a result, the State has adjusted the contribution rate due on employees' wages paid between November 1, 2010 and September 30, 2011 to 20.66% for members who first worked prior to July 1, 2010 and 19.16% for Pension Plus member. In March 2011, the Court of Claims granted the plaintiffs' motions for summary disposition finding that the mandatory 3% contribution violated both the U.S. and Michigan constitutions. The State appealed the ruling to the Michigan Court of Appeals. The Court of Appeals accepted the appeal and ordered an expedited review. The Court of Appeals also granted the State's motion for a stay of proceedings and ordered that the 3% deduction continue to be collected and placed into an escrow account until further order of the Court.

On August 16, 2012 the State of Michigan Court of Appeals affirmed the trial court's orders granting summary dispositions in favor of the plaintiffs in each of the cases before it, terminating the stay ordered by this Court on March 18, 2011. The State of Michigan has appealed the decision to the

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NOTES TO FINANCIAL STATEMENTS
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Michigan Supreme Court. The Office of Retirement Services is instructing Michigan public school employers to continue withholding the 3% contribution. Should the plaintiffs prevail, the escrowed funds will be returned to the employees.

E. Net Pension Liabilities

Measurement of the MPSERS Net Pension Liability

The plan's net pension liability is to be measured as the total pension liability, less the amount of the pension plan's fiduciary net position. In actuarial terms, this will be the accrued Liability less the market value of assets (not the smoothed actuarial value of assets that is often encountered in actuarial valuations performed to determine the employer's contribution requirements).

MPSERS (Plan) Net Pension Liability

As of September 30, 2014

Total Pension Liability	\$ 65,160,887,182
Plan Fiduciary Net Position	<u>43,134,384,072</u>
Net Pension Liability	<u><u>\$ 22,026,503,110</u></u>
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	66.20%
Net Pension Liability as a Percentage of Covered-Employee Payroll	250.11%

Year 1 MPSERS GASB 68 implementation recognizes a 0.00% change in the reporting unit's proportionate share between beginning net pension liability and ending net pension liability.

As of October 1, 2013

Total Pension Liability	\$ 62,859,499,994
Plan Fiduciary Net Pension	<u>39,427,686,072</u>
Net Pension Liability	<u><u>\$ 23,431,813,922</u></u>
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	62.72%

Proportionate Share of District's Net Pension Liability

At September 30, 2014, the District reported a liability of \$7,638,166 for its proportionate share of the net pension liability. The net pension liability was measured as of September 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation

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rolled forward from September 30, 2013. The District's proportion of the net pension liability was based on statutorily required contributions in relation to all reporting units' statutorily required contributions for the measurement period. At September 30, 2014, the District's proportionate share was .03468 percent.

Long-Term Expected Rate of Return on Investments

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of September 30, 2014, are summarized in the following table:

<u>Investment Category</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic Equity Pools	28.00%	4.80%
Alternative Investment Pools	18.00%	8.50%
International Equity	16.00%	6.10%
Fixed Income Pools	10.50%	1.50%
Real Estate & Infrastructure Pools	10.00%	5.30%
Absolute Return Pools	15.50%	6.30%
Short-Term Investment Pools	2.00%	-0.20%
	100%	

*Long-term rate does not include 2.5% inflation

Rate of Return

For the fiscal year ended September 30, 2014, the annual money-weighted rate of return on pension plan investment, net of pension plan investment expense was 12.58%. The money weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Discount Rate

A discount rate of 8.0% was used to measure the total pension liability (7.0% for the Pension Plus plan, a hybrid plan). This discount rate was based on the long-term expected rate of return on pension plan investments of 8.0% (7.0% for the Pension Plus plan). The projection of cash flows used to determine this discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of

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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.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

As required by GASB Statement No. 68, the following presents the District's proportionate share of the net pension liability, calculated using the discount rate of 8.0 percent (7% for the Pension Plus plan), as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher:

1% Decrease (Non-Hybrid/Hybrid) 7.0% / 6.0%	Current Single Discount Rate Assumption (Non-Hybrid/Hybrid) 8.0% / 7.0%	1% Increase (Non-Hybrid/Hybrid) 9.0% / 8.0%
\$ 10,070,256	\$ 7,638,166	\$ 5,589,093

Timing of the Valuation

An actuarial valuation to determine the total pension liability is required to be performed every year. If the actuarial valuation is not calculated as of the plan's fiscal year end, the total pension liability is required to be rolled forward from the actuarial valuation date to the pension plan's fiscal year end.

The total pension liability as of September 30, 2014, is based on the results of an actuarial valuation as of September 30, 2013, and rolled forward using generally accepted actuarial procedures.

Actuarial Valuations and Assumptions

Actuarial valuations for the pension plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions (ARC) are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

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

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Additional information as of the latest actuarial valuation follows:

Summary of Actuarial Assumptions

Actuarial Assumptions

Wage Inflation Rate:	3.50%
Investment Rate of Return	
-MIP and Basic Plans (Non-Hybrid):	8.00%
-Pension Plus Plan (Hybrid):	7.00%
Projected Salary Increases:	3.5-12.3 % including wage inflation at 3.5%
Cost of Living Pension Adjustments:	3% Annual Non-Compounded for MIP Members
Healthcare Cost Trend Rate:	8.5% Year 1 graded to 3.5% year 12

Mortality:

RP-2000 Male and Female Combine Healthy Life Mortality Tables, adjusted for mortality improvements to 2025 using projection scale BB. For retirees, 100% of the table rates were used. For active members, 80% of the table rates were used for males and 70% of the table rates were used for females.

Notes:

- Assumption changes as a result of an experience study for the periods 2007 through 2012 have been adopted by the System for use in the annual pension valuations beginning with the September 30, 2014 valuation. The total pension liability as of September 30, 2014, is based on the results of an actuarial valuation date of September 30, 2013, and rolled forward using generally accepted accounting procedures, including the experience study.
- Recognition period for liabilities is the average of the expected remaining service lives of all employees in years: 4.8457
- Recognition period for assets in years is 5.0000
- Full actuarial assumptions are available in the 2014 MPSERS Comprehensive Annual Financial Report.

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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

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

For the year ended June 30, 2015, the District recognized pension expense of \$618,763. At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 0	\$ 0
Changes of assumptions	281,832	0
Net difference between projected and actual earnings on pension plan investments	0	844,402
Changes in proportion and differences between District contributions and proportionate share of contributions	190	0
District contributions subsequent to the measurement date	527,274	0
Total	\$ 809,296	\$ 844,402

\$527,274 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources (+) and deferred inflows of resources (-) related to pensions will be recognized in pension expense as follows:

Year Ended June 30,	Amount
2016	\$ (137,784)
2017	(137,784)
2018	(137,784)
2019	(149,028)
	\$ (562,380)

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NOTES TO FINANCIAL STATEMENTS
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G. Payables to the Pension Plan

As of June 30, 2015, the District had payables in the amount of \$117,709 to the pension plan. \$71,340 of this amount represents the amount the District is legally required to contribute on behalf of its employees. The balance, \$46,369, represents the amount the District is required to remit to the pension plan as required by Public Act 196 of 2014. The District is owed this same amount from the State of Michigan as part of its section 147c categorical funding.

H. Risk Management

The District is exposed to various risks of loss related to property loss, torts, errors and omissions, employee injuries (workers' compensation) as well as medical benefits provided to employees. The District has purchased commercial insurance for general liability, property and casualty and health claims and participates in the MASB/SET-SEG (risk pool) for claims relating to employee injuries/workers' compensation. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

The shared-risk pool program in which the District participates operates as a common risk-sharing management program for school districts in Michigan; member premiums are used to purchase commercial excess insurance coverage and to pay member claims in excess of deductible amounts.

I. Long-Term Liabilities

A summary of long-term debt and transactions related thereto is as follows for the year ended June 30, 2015:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>(Reductions)</u>	<u>Ending Balance</u>	<u>Amount Due Within One Year</u>
2002 School Building and Site Construction Bonds, due through May 2016 in semi-annual installments of interest and annual principal payments of \$240,000 with an interest rate of 4.375%.	\$ 480,000	\$ 0	\$ 240,000	\$ 240,000	\$ 240,000
2010 Energy Conservation Improvement QZAB Bond due through May 2020 in semi-annual installments of interest and annual principal payments of \$71,000 and interest rate of 6.0%.	426,000	0	71,000	355,000	71,000

PELLSTON PUBLIC SCHOOLS
PELLSTON, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

	<u>Beginning Balance</u>	<u>Additions</u>	<u>(Reductions)</u>	<u>Ending Balance</u>	<u>Amount Due Within One Year</u>
2011 School Improvement QZAB bond due through November 2024 in annual installments of \$60,000 - \$65,000 beginning in 2020 and interest paid annually with rates ranging from 5.8% to 6.375%.	315,000	0	0	315,000	0
2004 Energy Conservation Improvement Bonds due through May 2015 in semi-annual installments of interest and principal payments of \$70,000 with an interest rate of 4.21%.	70,000	0	70,000	0	0
2008 Refunding Bonds, due through May 2022 in semi-annual installments of interest and annual principal payments varying from \$560,000 to \$850,000 with interest rates ranging from 3.85% to 4.2%.	5,860,000	0	525,000	5,335,000	560,000
2012 School Technology and Equipment Bonds, due through May 2020 in semi-annual installments of interest and annual principal payments varying from \$40,000 - \$180,000 bearing interest rates ranging from 2.00% to 2.25%.	740,000	0	40,000	700,000	50,000
Compensated Absences	2,036	188	652	1,572	unknown
Net Pension Liability	8,126,153	602,078	1,090,065	7,638,166	unknown
Total Long-Term Debt	<u>\$16,019,189</u>	<u>\$ 602,266</u>	<u>\$ 2,036,717</u>	<u>\$14,584,738</u>	<u>\$ 921,000</u>

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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

Annual debt service requirements to maturity for the above obligations except for compensated absences and net pension liability.

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Amounts Payable</u>
2016	\$ 921,000	\$ 277,197	\$ 1,198,197
2017	951,000	239,876	1,190,876
2018	991,000	204,327	1,195,327
2019	1,026,000	167,606	1,193,606
2020	1,061,000	129,724	1,190,724
2021-2025	1,995,000	155,395	2,150,395
	<u>\$ 6,945,000</u>	<u>\$ 1,174,125</u>	<u>\$ 8,119,125</u>

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

J. Interfund Receivables and Payables

	<u>INTERFUND RECEIVABLES</u>	<u>INTERFUND PAYABLES</u>
General Fund	\$ 78	\$ 44,197
Fiduciary Fund	0	78
2008 Refunding Debt Retirement Fund	2,310	0
School Service Fund - Food Service	41,887	0
	<u>\$ 44,275</u>	<u>\$ 44,275</u>

The outstanding balances between funds result mainly from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made. All interfund balances outstanding at June 30, 2015 are expected to be repaid within one year.

K. Interfund Transfers

	<u>TRANSFERS IN</u>	<u>TRANSFERS OUT</u>
General Fund	\$ 0	\$ 152,128
Capital Projects Fund	0	4
Debt Retirement Fund - 2012 School Technology and Equipment	4	0
Debt Retirement Fund - Energy Bonds	72,947	0
Debt Retirement Fund - 2010 QZAB Bonds	75,324	0
Debt Retirement Fund - 2011 QZAB Bonds	3,857	0
	<u>\$ 152,132</u>	<u>\$ 152,132</u>

PELLSTON PUBLIC SCHOOLS
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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

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

L. Related Party Transactions

The District paid for repair and maintenance services to a business owned by the superintendent's relative totaling \$20,161 for the year. In the opinion of management, such transactions were on substantially the same terms as those prevailing at the time of comparable transactions with other persons and did not present any other unfavorable features to the District.

M. Accounting Change/Prior Period Adjustment

Effective July 1, 2014 the District adopted GASB Statement 68 Accounting and Financial Reporting for Pensions. This Statement amends GASB Statement 27 and GASB Statement 50 and is designed to improve accounting and financial reporting by state and local governments for pensions. It is also designed to provide decision-useful information, support assessments of accountability and interperiod equity, and create additional transparency. Accordingly, the District's financial statements have been restated to appropriately account for this change. The restatement of the net position as of June 30, 2014 is summarized in the table below:

Net Position - Governmental Activities - As previously reported as of June 30, 2014	\$ (3,343,968)
Net Pension Liability - Restated to conform with GASB 68	<u>(8,126,153)</u>
Net Position - Governmental Activities - Restated as of June 30, 2014	<u><u>\$ (11,470,121)</u></u>

N. Other Information

1. Commitments and Contingencies

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

2. Capital Projects Fund

The Capital Projects Fund includes capital project activities funded with bonds issued after May 1, 1994. For these capital projects, the School District has complied with the applicable provisions of §1351a of the Revised School Code.

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PELLSTON, MICHIGAN

REQUIRED SUPPLEMENTARY INFORMATION

BUDGETARY COMPARISON SCHEDULE
GENERAL FUND

YEAR ENDED JUNE 30, 2015

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL
<u>REVENUES</u>			
Local Sources	\$ 2,912,922	\$ 2,961,757	\$ 2,967,030
State Sources	2,187,206	2,420,612	2,378,339
Federal Sources	283,379	354,431	414,317
Other Transactions	349,514	375,244	377,988
Total Revenues	5,733,021	6,112,044	6,137,674
<u>EXPENDITURES</u>			
Instruction			
Basic Programs	2,723,278	2,832,507	2,832,648
Added Needs	800,301	880,199	880,113
Supporting Services			
Pupil	157,901	196,225	194,799
Instructional Staff	106,344	81,544	81,544
General Administration	255,524	253,997	253,997
School Administration	368,381	355,961	355,961
Business	78,325	85,174	79,985
Operating and Maintenance	501,210	469,481	468,456
Pupil Transportation	305,049	266,387	265,755
Support Services Central	85,188	75,640	75,640
Other Support Services-Athletic Activities	136,512	150,024	149,822
Community Service	2,644	782	782
Facilities Acquisition	0	17,348	17,348
Total Expenditures	5,520,657	5,665,269	5,656,850
Excess (Deficiency) of Revenues Over (Under) Expenditures	212,364	446,775	480,824
<u>OTHER FINANCING SOURCES (USES)</u>			
Transfers In	0	0	0
Transfers Out	(157,748)	(152,128)	(152,128)
Total Other Financing Sources (Uses)	(157,748)	(152,128)	(152,128)
Net Change in Fund Balance	54,616	294,647	328,696
<u>FUND BALANCE</u> - Beginning of Year	397,408	456,803	456,803
<u>FUND BALANCE</u> - End of Year	\$ 452,024	\$ 751,450	\$ 785,499

PELLSTON PUBLIC SCHOOLS
PELLSTON , MICHIGAN

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
MICHIGAN PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM
LAST 10 FISCAL YEARS (AMOUNTS WERE DETERMINED AS OF 9/30 OF EACH FISCAL YEAR)
JUNE 30, 2015

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
District's proportion of net pension liability (%)										0.03468%
District's proportionate share of net pension liability									\$	7,638,166
District's covered-employee payroll									\$	2,946,069
District's proportionate share of net pension liability as a percentage of its covered-employee payroll										259.27%
Plan fiduciary net position as a percentage of total pension liability										66.20%

PELLSTON PUBLIC SCHOOLS
PELLSTON, MICHIGAN

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CONTRIBUTIONS

MICHIGAN PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM
LAST 10 FISCAL YEARS (AMOUNTS WERE DETERMINED AS OF 6/30 OF EACH FISCAL YEAR)
JUNE 30, 2015

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Statutorily required contributions									\$	602,078
Contributions in relation to statutorily required contributions										602,078
Contribution deficiency (excess)									\$	0
Covered-Employee Payroll									\$	2,659,133
Contributions as a percentage of covered-employee payroll										22.64%

PELLSTON PUBLIC SCHOOLS
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NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR YEAR ENDED JUNE 30, 2015

A. Changes of Benefit Terms

There were no changes of benefit terms in 2015.

B. Changes of Assumptions:

There were no changes of benefit assumptions in 2015.

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NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET

JUNE 30, 2015

	SPECIAL REVENUE FUND		DEBT SERVICE FUNDS				TOTAL NONMAJOR GOVERNMENTAL FUNDS
	FOOD SERVICE FUND	2002 DEBT RETIREMENT	2012 SCHOOL TECHNOLOGY AND EQUIPMENT	ENERGY BONDS	2010 QZAB BONDS	2011 QZAB BONDS	
<u>ASSETS</u>							
Cash	\$ 638	\$ 29,440	\$ 6,425	\$ 0	\$ 0	\$ 0	\$ 36,503
Accounts Receivable	809	0	0	0	0	0	809
Due from Other Funds	41,887	0	0	0	0	0	41,887
Due from Other Governments	6,533	0	0	0	0	0	6,533
Inventory	3,863	0	0	0	0	0	3,863
TOTAL ASSETS	\$ 53,730	\$ 29,440	\$ 6,425	\$ 0	\$ 0	\$ 0	\$ 89,595
<u>LIABILITIES AND FUND BALANCE</u>							
<u>LIABILITIES</u>							
Accounts Payable	\$ 1,732	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 1,732
Accrued Expenditures	426	0	0	0	0	0	426
Salaries Payable	679	0	0	0	0	0	679
Total Liabilities	2,837	0	0	0	0	0	2,837
<u>FUND BALANCE</u>							
Nonspendable:							
Inventory	3,863	0	0	0	0	0	3,863
Restricted:							
Debt Service	0	29,440	6,425	0	0	0	35,865
Food Service	47,030	0	0	0	0	0	47,030
Total Fund Balance	50,893	29,440	6,425	0	0	0	86,758
TOTAL LIABILITIES AND FUND BALANCE	\$ 53,730	\$ 29,440	\$ 6,425	\$ 0	\$ 0	\$ 0	\$ 89,595

PELLSTON PUBLIC SCHOOLS
PELLSTON, MICHIGAN

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

YEAR ENDED JUNE 30, 2015

	SPECIAL REVENUE FUND		DEBT SERVICE FUNDS				TOTAL NONMAJOR GOVERNMENTAL FUNDS	
	FOOD SERVICE FUND	2002 DEBT RETIREMENT	2012 SCHOOL TECHNOLOGY AND EQUIPMENT		ENERGY BONDS	2010 QZAB BONDS		2011 QZAB BONDS
REVENUES								
Local Sources	\$ 56,155	\$ 256,434	\$ 51,518	\$ 0	\$ 0	\$ 0	\$ 364,107	
State Sources	10,252	0	0	0	0	0	10,252	
Federal Sources	240,802	0	0	0	22,336	15,827	278,965	
Total Revenues	307,209	256,434	51,518	0	22,336	15,827	653,324	
EXPENDITURES								
Food Service Activities								
Salaries	72,437	0	0	0	0	0	72,437	
Employees Benefits	44,526	0	0	0	0	0	44,526	
Purchased Services	1,170	0	0	0	0	0	1,170	
Supplies, Materials and Other	149,630	0	0	0	0	0	149,630	
Debt Service								
Principal	0	240,000	40,000	70,000	71,000	0	421,000	
Interest and Fees	0	21,450	15,450	2,947	26,660	19,684	86,191	
Total Expenditures	267,763	261,450	55,450	72,947	97,660	19,684	774,954	
Excess of Revenues Over (Under) Expenditures	39,446	(5,016)	(3,932)	(72,947)	(75,324)	(3,857)	(121,630)	
OTHER FINANCING SOURCES (USES)								
Transfers In/ (Out)	0	0	4	72,947	75,324	3,857	152,132	
Total Other Financing Sources (Uses)	0	0	4	72,947	75,324	3,857	152,132	
Net Change in Fund Balance	39,446	(5,016)	(3,928)	0	0	0	30,502	
FUND BALANCE - Beginning of Year	11,447	34,456	10,353	0	0	0	56,256	
FUND BALANCE - End of Year	\$ 50,893	\$ 29,440	\$ 6,425	\$ 0	\$ 0	\$ 0	\$ 86,758	

PELLSTON PUBLIC SCHOOLS
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GENERAL FUND

BALANCE SHEET
JUNE 30, 2015

WITH COMPARATIVE TOTALS FOR JUNE 30, 2014

	<u>2015</u>	<u>2014</u>
<u>ASSETS</u>		
Cash and Cash Equivalents	\$ 615,380	\$ 461,993
Investments	16,281	16,277
Accounts Receivable	13,469	17,261
Due from Other Funds	78	4,766
Due from Other Governments	643,793	457,715
Inventory	21,148	21,148
	<hr/>	<hr/>
TOTAL ASSETS	\$ 1,310,149	\$ 979,160
	<hr/>	<hr/>
<u>LIABILITIES AND FUND BALANCE</u>		
<u>LIABILITIES</u>		
Accounts Payable	\$ 46,569	\$ 36,126
Due to Other Funds	44,197	0
Unearned Revenue	25,865	31,959
Accrued Expenditures	133,908	137,311
Salaries Payable	274,111	316,961
	<hr/>	<hr/>
Total Liabilities	524,650	522,357
	<hr/>	<hr/>
<u>FUND BALANCE</u>		
Nonspendable:		
Inventory	21,148	21,148
Unassigned	764,351	435,655
	<hr/>	<hr/>
Total Fund Balance	785,499	456,803
	<hr/>	<hr/>
TOTAL LIABILITIES AND FUND BALANCE	\$ 1,310,149	\$ 979,160
	<hr/>	<hr/>

PELLSTON PUBLIC SCHOOLS
PELLSTON, MICHIGAN

GENERAL FUND

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

YEAR ENDED JUNE 30, 2015

WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2014

	2015	2014
<u>REVENUES</u>		
Local Sources	\$ 2,967,030	\$ 3,000,253
State Sources	2,378,339	2,211,779
Federal Sources	414,317	443,120
Other Transactions	377,988	347,122
	6,137,674	6,002,274
 <u>EXPENDITURES</u>		
Instruction		
Basic Programs		
Elementary	1,063,078	1,067,003
Middle School	658,129	835,603
High School	780,925	816,306
Pre-School	314,120	212,297
Summer School	16,396	19,532
Added Needs		
Special Education	299,096	396,178
Compensatory Education	371,602	382,088
Career and Technical Education	209,415	206,659
Supporting Services		
Pupil		
Guidance Services	99,508	101,986
Social Work Services	37,308	65,607
Other Pupil Services	57,983	54,383
Instructional Staff		
Improvement of Instruction	45,217	21,875
Educational Media Services	0	1,167
Technology Assisted Instruction	28,614	38,501
Supervision and Direction of Instructional Staff	7,713	9,036
General Administration		
Board of Education	27,623	28,870
Executive Administration	226,374	226,384
School Administration		
Office of the Principal	355,208	366,006
Other School Administration	753	1,366

PELLSTON PUBLIC SCHOOLS
PELLSTON, MICHIGAN

GENERAL FUND

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

YEAR ENDED JUNE 30, 2015

WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2014

	2015	2014
Business		
Fiscal Services	63,927	62,788
Other Business Services	16,058	14,449
Operation and Maintenance of Plant		
Operating Building Services	464,166	466,713
Security Services	4,290	0
Pupil Transportation Services	265,755	287,357
Support Services Central		
Staff/Personnel Services	2,433	300
Information Management Services	73,207	69,918
Other Support Services		
Athletic Activities	149,822	137,573
Community Services		
Community Recreation	0	594
Community Activities	782	243
Facilities Acquisition		
Building Improvement Services	17,348	0
	5,656,850	5,890,782
Total Expenditures		
Excess of Revenues Over (Under) Expenditures	480,824	111,492
 <u>OTHER FINANCING SOURCES (USES)</u>		
Transfers In	0	9,003
Transfers Out	(152,128)	(150,995)
	(152,128)	(141,992)
Total Other Financing Sources (Uses)		
Net Change in Fund Balance	328,696	(30,500)
<u>FUND BALANCE</u> - Beginning of Year	456,803	487,303
<u>FUND BALANCE</u> - End of Year	\$ 785,499	\$ 456,803

PELLSTON PUBLIC SCHOOLS
PELLSTON , MICHIGAN

GENERAL FUND
ANALYSIS OF REVENUES AND OTHER FINANCING SOURCES

YEAR ENDED JUNE 30, 2015

WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2014

	<u>2015</u>	<u>2014</u>
<u>LOCAL SOURCES</u>		
Property Taxes	\$ 2,845,392	\$ 2,882,940
Charges for Services	18,689	24,522
Earnings on Investments and Deposits	606	612
Other Local Revenue	102,343	92,179
	<hr/>	<hr/>
Total Local Sources	2,967,030	3,000,253
	<hr/>	<hr/>
<u>STATE SOURCES</u>		
State Aid	1,923,608	1,907,736
Other State Revenue	454,731	304,043
	<hr/>	<hr/>
Total State Sources	2,378,339	2,211,779
	<hr/>	<hr/>
<u>FEDERAL SOURCES</u>		
Title I	253,454	263,698
Title II - Part A	35,610	29,749
Title IVB - 21st Century	14,491	96,676
Title VII - Indian Education	26,640	28,275
Temporary Assistance for Needy Families	23,335	21,507
Early Learning Enhancement	56,011	0
Other	4,776	3,215
	<hr/>	<hr/>
Total Federal Sources	414,317	443,120
	<hr/>	<hr/>
<u>OTHER TRANSACTIONS</u>		
Char-Em ISD	363,836	343,466
Other	14,152	3,656
	<hr/>	<hr/>
Total Other Transactions	377,988	347,122
	<hr/>	<hr/>
Total Revenues	6,137,674	6,002,274
	<hr/>	<hr/>
<u>OTHER FINANCING SOURCES</u>		
<u>Operating Transfers In</u>		
Food Service Fund	0	9,003
	<hr/>	<hr/>
TOTAL REVENUES AND OTHER FINANCING SOURCES	\$ 6,137,674	\$ 6,011,277
	<hr/> <hr/>	<hr/> <hr/>

PELLSTON PUBLIC SCHOOLS
PELLSTON, MICHIGAN

GENERAL FUND
ANALYSIS OF EXPENDITURES AND OTHER FINANCING USES

YEAR ENDED JUNE 30, 2015

WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2014

	<u>2015</u>	<u>2014</u>
<u>INSTRUCTION</u>		
<u>Basic Programs</u>		
<u>Elementary</u>		
Salaries	\$ 625,258	\$ 644,434
Employee Benefits	403,943	380,931
Purchased Services	23,445	27,806
Supplies, Materials and Other	10,432	13,732
Capital Outlay	0	100
Total Elementary	1,063,078	1,067,003
 <u>Middle School</u>		
Salaries	382,915	477,233
Employee Benefits	266,085	333,141
Purchased Services	4,480	6,049
Supplies, Materials and Other	4,649	7,798
Payments to Other School Districts	0	11,382
Total Middle School	658,129	835,603
 <u>High School</u>		
Salaries	413,122	436,784
Employee Benefits	280,238	288,759
Purchased Services	23,538	34,633
Supplies, Materials and Other	15,257	11,743
Payments to Other School Districts	48,770	44,387
Total High School	780,925	816,306
 <u>Pre-School</u>		
Salaries	136,366	113,487
Employee Benefits	85,979	68,356
Purchased Services	16,780	1,593
Supplies, Materials and Other	52,258	28,861
Capital Outlay	22,737	0
Total Pre-School	314,120	212,297

PELLSTON PUBLIC SCHOOLS
PELLSTON, MICHIGAN

GENERAL FUND
ANALYSIS OF EXPENDITURES AND OTHER FINANCING USES

YEAR ENDED JUNE 30, 2015

WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2014

	<u>2015</u>	<u>2014</u>
<u>Summer School</u>		
Salaries	3,525	11,488
Employee Benefits	1,169	4,566
Purchased Services	10,595	3,169
Supplies, Materials and Other	1,107	309
Total Summer School	<u>16,396</u>	<u>19,532</u>
<u>Added Needs</u>		
<u>Special Education</u>		
Salaries	155,738	217,262
Employee Benefits	120,855	171,934
Purchased Services	16,541	6,703
Supplies, Materials and Other	5,962	279
Total Special Education	<u>299,096</u>	<u>396,178</u>
<u>Compensatory Education</u>		
Salaries	193,846	226,377
Employee Benefits	128,547	137,829
Purchased Services	28,614	6,596
Supplies, Materials and Other	20,595	11,286
Total Compensatory Education	<u>371,602</u>	<u>382,088</u>
<u>Career and Technical Education</u>		
Salaries	72,809	104,830
Employee Benefits	58,030	81,650
Purchased Services	11,878	4,237
Supplies, Materials and Other	49,698	15,942
Capital Outlay	17,000	0
Total Career and Technical Education	<u>209,415</u>	<u>206,659</u>

PELLSTON PUBLIC SCHOOLS
PELLSTON, MICHIGAN

GENERAL FUND
ANALYSIS OF EXPENDITURES AND OTHER FINANCING USES

YEAR ENDED JUNE 30, 2015

WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2014

	<u>2015</u>	<u>2014</u>
<u>SUPPORTING SERVICES</u>		
<u>Pupil</u>		
<u>Guidance Services</u>		
Salaries	56,560	56,000
Employee Benefits	42,717	39,183
Purchased Services	231	6,803
Supplies, Materials and Other	0	0
Total Guidance Services	<u>99,508</u>	<u>101,986</u>
<u>Social Work Services</u>		
Salaries	21,538	40,867
Employee Benefits	15,770	24,740
Total Social Work Services	<u>37,308</u>	<u>65,607</u>
<u>Other Pupil Services</u>		
Salaries	26,671	35,560
Employee Benefits	17,018	17,997
Purchased Services	14,294	826
Total Other Pupil Services	<u>57,983</u>	<u>54,383</u>
<u>Instructional Staff</u>		
<u>Improvement of Instruction</u>		
Salaries	6,739	560
Employee Benefits	2,174	236
Purchased Services	30,973	16,626
Supplies, Materials and Other	2,033	858
Payments to Other School Districts	3,298	3,595
Total Improvement of Instruction	<u>45,217</u>	<u>21,875</u>

PELLSTON PUBLIC SCHOOLS
PELLSTON, MICHIGAN

GENERAL FUND
ANALYSIS OF EXPENDITURES AND OTHER FINANCING USES

YEAR ENDED JUNE 30, 2015

WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2014

	2015	2014
<u>Educational Media Services</u>		
Salaries	0	923
Employee Benefits	0	244
Total Educational Media Services	0	1,167
 <u>Technology Assisted Instruction</u>		
Supplies, Materials and Other	28,614	38,501
Total Technology Assisted Instruction	28,614	38,501
 <u>Supervision and Direction of Instructional Staff</u>		
Salaries	6,470	7,000
Employee Benefits	1,243	536
Purchased Services	0	926
Supplies, Materials and Other	0	574
Total Supervision and Direction of Instructional Staff	7,713	9,036
 <u>General Administration</u>		
<u>Board of Education</u>		
Salaries	4,290	8,677
Employee Benefits	328	664
Purchased Services	22,259	18,564
Supplies, Materials and Other	746	965
Total Board of Education	27,623	28,870
 <u>Executive Administration</u>		
Salaries	130,470	129,132
Employee Benefits	81,612	74,530
Purchased Services	6,929	14,654
Supplies, Materials and Other	7,363	8,068
Total Executive Administration	226,374	226,384

PELLSTON PUBLIC SCHOOLS
PELLSTON, MICHIGAN

GENERAL FUND
ANALYSIS OF EXPENDITURES AND OTHER FINANCING USES

YEAR ENDED JUNE 30, 2015

WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2014

	2015	2014
<u>School Administration</u>		
<u>Office of the Principal</u>		
Salaries	199,534	218,850
Employee Benefits	134,353	141,309
Purchased Services	18,937	4,573
Supplies, Materials and Other	2,384	1,274
Total Office of the Principal	355,208	366,006
 <u>Other School Administration</u>		
Supplies, Materials and Other	753	1,366
Total Other School Administration	753	1,366
 <u>Business</u>		
<u>Fiscal Services</u>		
Purchased Services	63,877	62,624
Supplies, Materials and Other	50	164
Total Fiscal Services	63,927	62,788
 <u>Other Business Services</u>		
Purchased Services	3,775	3,825
Supplies, Materials and Other	12,283	10,624
Total Other Business Services	16,058	14,449
 <u>Operation and Maintenance</u>		
<u>Operating Building Services</u>		
Salaries	0	2,680
Employee Benefits	0	869
Purchased Services	283,417	284,645
Supplies, Materials and Other	175,102	178,519
Capital Outlay	5,647	0
Total Operating Building Services	464,166	466,713
 <u>Security Services</u>		
Supplies, Materials and Other	4,290	0
Total Security Services	4,290	0

PELLSTON PUBLIC SCHOOLS
PELLSTON, MICHIGAN

GENERAL FUND
ANALYSIS OF EXPENDITURES AND OTHER FINANCING USES

YEAR ENDED JUNE 30, 2015

WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2014

	2015	2014
<u>Pupil Transportation Services</u>		
Salaries	119,756	135,771
Employee Benefits	64,063	67,784
Purchased Services	23,178	21,917
Supplies, Materials and Other	58,758	61,885
Total Pupil Transportation Services	265,755	287,357
 <u>Support Services-Central</u>		
<u>Staff/Personnel Services</u>		
Purchased Services	2,370	0
Supplies, Materials and Other	63	300
Total Staff/Personnel Services	2,433	300
 <u>Information Management Services</u>		
Purchased Services	66,744	63,821
Supplies, Materials and Other	6,463	6,097
Total Information Management Services	73,207	69,918
 <u>Other Support Services</u>		
<u>Athletic Activities</u>		
Salaries	26,008	42,908
Employee Benefits	17,352	19,768
Purchased Services	80,778	56,102
Supplies, Materials and Other	23,433	15,022
Capital Outlay	2,251	3,773
Total Athletic Activities	149,822	137,573
 <u>COMMUNITY SERVICES</u>		
<u>Community Recreation</u>		
Purchased Services	0	594
Total Community Recreation	0	594

PELLSTON PUBLIC SCHOOLS
PELLSTON, MICHIGAN

GENERAL FUND
ANALYSIS OF EXPENDITURES AND OTHER FINANCING USES

YEAR ENDED JUNE 30, 2015

WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2014

	<u>2015</u>	<u>2014</u>
<u>Community Activities</u>		
Salaries	594	0
Employee Benefits	188	0
Supplies, Materials and Other	0	243
Total Community Recreation	<u>782</u>	<u>243</u>
<u>FACILITIES ACQUISITION</u>		
<u>Building Improvement Services</u>		
Capital Outlay	17,348	0
Total Building Improvement Services	<u>17,348</u>	<u>0</u>
Total Expenditures	<u>5,656,850</u>	<u>5,890,782</u>
<u>OTHER FINANCING USES</u>		
<u>Operating Transfers Out</u>		
2011 QZAB Bonds Debt Service Fund	3,857	3,968
2010 QZAB Bonds Debt Service Fund	75,324	76,118
Energy Bonds Debt Service Fund	72,947	70,909
Total Other Financing Uses	<u>152,128</u>	<u>150,995</u>
TOTAL EXPENDITURES AND OTHER FINANCING USES	<u>\$ 5,808,978</u>	<u>\$ 6,041,777</u>

PELLSTON PUBLIC SCHOOLS

PELLSTON, MICHIGAN

AGENCY FUND

STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND BALANCE

YEAR ENDED JUNE 30, 2015

	<u>BALANCE</u>	<u>RECEIPTS</u>	<u>DISBURSEMENTS</u>	<u>BALANCE</u>
	6/30/14	(Including Transfers)		6/30/15
Cadwell Scholarship	\$ 17,159	\$ 0	\$ 1,000	\$ 16,159
Hayes Scholarship	3,901	0	900	3,001
Johnson Scholarship	4,000	0	0	4,000
Sports Boosters Scholarship	11,281	19,471	12,236	18,516
Athletic General	654	50	515	189
Band Boosters	740	3,453	3,286	907
Beverage Consortium	1,914	2,276	500	3,690
Christmas/Needy	281	1,102	1,226	157
Elem. Social Fund	225	0	150	75
Elem. Teachers Pop	376	9	259	126
Elementary Principal	309	0	85	224
Interest and Miscellaneous	171	101	198	74
Middle School Principal	63	830	635	258
Middle School/High School Social Fund	159	190	41	308
Office Concessions	361	515	240	636
Popcorn Poppers - Elementary	0	321	88	233
RIF Bookfair	237	0	237	0
Safety Sam	559	0	0	559
Science/Trout	291	364	477	178
Sports Boosters	1,301	12,020	11,375	1,946
Support Staff Fund	131	0	0	131
Woodshop	3,422	10,519	13,018	923
Art	1,483	3,264	2,634	2,113
Athletic Fundraising	117	12,897	8,637	4,377
Class of 2012	394	0	0	394
Class of 2013	1,180	0	0	1,180
Class of 2014	117	183	0	300
Class of 2015	193	727	534	386
Class of 2016	1,085	3,309	4,150	244
Class of 2017	2,196	476	374	2,298
Class of 2018	144	0	0	144
Elementary Drama	4,017	2,735	4,848	1,904
Elementary School Cash	689	396	475	610
Class of 2019	982	0	0	982
Class of 2020	82	0	0	82
First Grade	320	474	235	559
Fourth Grade	475	1,179	1,219	435

PELLSTON PUBLIC SCHOOLS

PELLSTON, MICHIGAN

AGENCY FUND

STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND BALANCE

YEAR ENDED JUNE 30, 2015

	<u>BALANCE</u>	<u>RECEIPTS</u>	<u>DISBURSEMENTS</u>	<u>BALANCE</u>
	6/30/14	(Including Transfers)		6/30/15
High School Drama	856	225	782	299
High School Student Council	1,469	601	1,386	684
Kindergarten	325	1,910	739	1,496
Math Department	948	1,580	1,576	952
Middle School Student Council	1,249	3,323	3,201	1,371
National Honors Society	718	2,167	1,980	905
Preschool	225	278	0	503
Robotics	0	14,496	11,240	3,256
Second Grade	894	2,515	1,057	2,352
Ski Club	213	10,361	10,186	388
START	694	1,340	1,332	702
Student Flow	3,136	906	1,335	2,707
Third Grade	1,131	757	880	1,008
Yearbook	2,263	1,939	2,308	1,894
Youth Enrichment	689	20	97	612
John McLarty Family Scholarship	9,500	0	500	9,000
Class of 2021	334	3,578	3,393	519
Class of 2022	0	851	768	83
Football	1,025	5,400	5,196	1,229
Baseball	193	3,571	3,505	259
Volleyball	2,867	16,471	16,349	2,989
Softball	2,447	6,733	6,027	3,153
Girls Basketball	1,548	4,966	1,187	5,327
Track	1,200	2,867	2,639	1,428
Boys Basketball	2,026	20,555	9,286	13,295
	<u>\$ 96,959</u>	<u>\$ 184,271</u>	<u>\$ 156,521</u>	<u>\$ 124,709</u>

Represented by

Assets

Cash and Cash Equivalents	\$ 37,850	\$ 65,661
Investments	<u>59,109</u>	<u>59,126</u>
Total Assets	<u>\$ 96,959</u>	<u>\$ 124,787</u>

Liabilities

Due to Groups and Organizations	\$ 96,959	\$ 124,709
Due to Other Funds	<u>0</u>	<u>78</u>
Total Liabilities	<u>\$ 96,959</u>	<u>\$ 124,787</u>

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PELLSTON PUBLIC SCHOOLS
PELLSTON, MICHIGAN

SCHEDULE OF BONDS PAYABLE
JUNE 30, 2015

<u>TITLE OF ISSUE</u>	2004 Energy Conservation Improvement Bonds	
<u>DATE OF ISSUE</u>	July 9, 2004	
<u>INTEREST PAYABLE</u>	May 1, and November 1 of each year	
<u>AMOUNT OF ISSUE</u>		\$ 575,000
<u>AMOUNT REDEEMED</u>		
Redeemed Prior to Current Year	\$ 505,000	
Redeemed During Current Year	70,000	575,000
<u>BALANCE OUTSTANDING</u> - June 30, 2015		<u><u>\$ 0</u></u>

Note: This Bond is not subject to redemption prior to maturity by the District.

PELLSTON PUBLIC SCHOOLS
PELLSTON, MICHIGAN

SCHEDULE OF BONDS PAYABLE
JUNE 30, 2015

<u>TITLE OF ISSUE</u>	2002 School Building and Site Bond		
<u>DATE OF ISSUE</u>	February 2, 2002		
<u>INTEREST PAYABLE</u>	May 1, and November 1, of each year		
<u>AMOUNT OF ISSUE</u>		\$	2,600,000
<u>AMOUNT REDEEMED</u>			
Redeemed Prior to Current Year	\$	2,120,000	
Redeemed During Current Year		240,000	2,360,000
			2,360,000
<u>BALANCE OUTSTANDING</u> - June 30, 2015		\$	240,000

<u>DUE DATES</u>	<u>INTEREST RATES</u>	<u>REQUIREMENTS</u>		
		<u>TOTAL</u>	<u>INTEREST</u>	<u>PRINCIPAL</u>
November 1, 2015	4.3750%	\$ 5,250	\$ 5,250	\$ 0
May 1, 2016	4.3750%	245,250	5,250	240,000
		\$ 250,500	\$ 10,500	\$ 240,000

Note: Bonds of this issue maturing in the fiscal years 2007 through 2011, inclusive, shall not be subject to redemption prior to maturity. Bonds or portions of bonds in multiples of \$5,000 of this issue maturing in the year 2012 and thereafter, shall be subject to redemption prior to maturity, at the option of the issuer, in such order as the issuer may determine and by lot within any maturity, on any interest payment date on or after May 1, 2011, at par and accrued interest to the date fixed for redemption.

PELLSTON PUBLIC SCHOOLS
PELLSTON, MICHIGAN

SCHEDULE OF BONDS PAYABLE
JUNE 30, 2015

<u>TITLE OF ISSUE</u>	2008 General Obligation Refundable Bonds	
<u>DATE OF ISSUE</u>	September 29, 2008	
<u>INTEREST PAYABLE</u>	May 1, and November 1 of each year	
<u>AMOUNT OF ISSUE</u>	\$	7,940,000
<u>AMOUNT REDEEMED</u>		
Redeemed Prior to Current Year	\$	2,080,000
Redeemed During Current Year		2,605,000
		2,605,000
<u>BALANCE OUTSTANDING - June 30, 2015</u>	\$	5,335,000

<u>DUE DATES</u>	<u>INTEREST</u>	<u>REQUIREMENTS</u>		
	<u>RATES</u>	<u>TOTAL</u>	<u>INTEREST</u>	<u>PRINCIPAL</u>
November 1, 2015	3.8500%	\$ 105,831	\$ 105,831	\$ 0
May 1, 2016	3.8500%	665,831	105,831	560,000
November 1, 2016	3.8500%	95,051	95,051	0
May 1, 2017	3.8500%	835,051	95,051	740,000
November 1, 2017	3.8500%	80,806	80,806	0
May 1, 2018	3.8500%	840,806	80,806	760,000
November 1, 2018	3.8500%	66,176	66,176	0
May 1, 2019	3.8500%	851,176	66,176	785,000
November 1, 2019	4.0000%	51,065	51,065	0
May 1, 2020	4.0000%	861,065	51,065	810,000
November 1, 2020	4.1000%	34,865	34,865	0
May 1, 2021	4.1000%	864,865	34,865	830,000
November 1, 2021	4.2000%	17,850	17,850	0
May 1, 2022	4.2000%	867,850	17,850	850,000
		\$ 6,238,288	\$ 903,288	\$ 5,335,000

PELLSTON PUBLIC SCHOOLS
PELLSTON, MICHIGAN

SCHEDULE OF BONDS PAYABLE
JUNE 30, 2015

<u>TITLE OF ISSUE</u>	2010 School Improvement Bond	
<u>DATE OF ISSUE</u>	December 29, 2010	
<u>INTEREST PAYABLE</u>	May 1, and November 1 of each year	
<u>AMOUNT OF ISSUE</u>	\$	710,000
<u>AMOUNT REDEEMED</u>		
Redeemed Prior to Current Year	\$	284,000
Redeemed During Current Year		71,000
		355,000
<u>BALANCE OUTSTANDING - June 30, 2015</u>	\$	355,000

<u>DUE DATES</u>	<u>INTEREST</u>	<u>REQUIREMENTS</u>		
	<u>RATES</u>	<u>TOTAL</u>	<u>INTEREST</u>	<u>PRINCIPAL</u>
November 1, 2015	6.0000%	\$ 10,650	\$ 10,650	\$ 0
May 1, 2016	6.0000%	81,650	10,650	71,000
November 1, 2016	6.0000%	8,520	8,520	0
May 1, 2017	6.0000%	79,520	8,520	71,000
November 1, 2017	6.0000%	6,390	6,390	0
May 1, 2018	6.0000%	77,390	6,390	71,000
November 1, 2018	6.0000%	4,260	4,260	0
May 1, 2019	6.0000%	75,260	4,260	71,000
November 1, 2019	6.0000%	2,130	2,130	0
May 1, 2020	6.0000%	73,130	2,130	71,000
		\$ 418,900	\$ 63,900	\$ 355,000

PELLSTON PUBLIC SCHOOLS
PELLSTON, MICHIGAN

SCHEDULE OF BONDS PAYABLE
JUNE 30, 2015

<u>TITLE OF ISSUE</u>	2011 School Improvement Bond		
<u>DATE OF ISSUE</u>	March 3, 2011		
<u>INTEREST PAYABLE</u>	May 1, and November 1 of each year		
<u>AMOUNT OF ISSUE</u>	\$		315,000
<u>AMOUNT REDEEMED</u>			
Redeemed Prior to Current Year	\$	0	0
Redeemed During Current Year		0	0
<u>BALANCE OUTSTANDING - June 30, 2015</u>	\$		<u>315,000</u>

<u>DUE DATES</u>	<u>INTEREST</u>	<u>REQUIREMENTS</u>		
	<u>RATES</u>	<u>TOTAL</u>	<u>INTEREST</u>	<u>PRINCIPAL</u>
November 1, 2015		\$ 9,642	\$ 9,642	\$ 0
May 1, 2016		9,642	9,642	0
November 1, 2016		9,642	9,642	0
May 1, 2017		9,642	9,642	0
November 1, 2017		9,642	9,642	0
May 1, 2018		9,642	9,642	0
November 1, 2018		9,642	9,642	0
May 1, 2019		9,642	9,642	0
November 1, 2019		9,642	9,642	0
May 1, 2020		9,642	9,642	0
November 1, 2020	5.8000%	69,642	9,642	60,000
May 1, 2021	5.8000%	7,902	7,902	0
November 1, 2021	6.0000%	67,902	7,902	60,000
May 1, 2022	6.0000%	6,101	6,101	0
November 1, 2022	6.2000%	71,102	6,102	65,000
May 1, 2023	6.2000%	4,086	4,086	0
November 1, 2023	6.2000%	69,087	4,087	65,000
May 1, 2024	6.2000%	2,071	2,071	0
November 1, 2024	6.3750%	67,072	2,072	65,000
		\$ 461,385	\$ 146,385	\$ 315,000

PELLSTON PUBLIC SCHOOLS
PELLSTON, MICHIGAN

SCHEDULE OF BONDS PAYABLE
JUNE 30, 2015

<u>TITLE OF ISSUE</u>	2012 School Technology and Equipment Bonds	
<u>DATE OF ISSUE</u>	November 6, 2012	
<u>INTEREST PAYABLE</u>	May 1, and November 1 of each year	
<u>AMOUNT OF ISSUE</u>	\$	770,000
<u>AMOUNT REDEEMED</u>		
Redeemed Prior to Current Year	\$	30,000 0
Redeemed During Current Year		40,000 70,000
		70,000
<u>BALANCE OUTSTANDING - June 30, 2015</u>	\$	700,000

<u>DUE DATES</u>	<u>INTEREST</u>	<u>REQUIREMENTS</u>		
	<u>RATES</u>	<u>TOTAL</u>	<u>INTEREST</u>	<u>PRINCIPAL</u>
November 1, 2015	2.0000%	\$ 7,225	\$ 7,225	\$ 0
May 1, 2016	2.0000%	57,225	7,225	50,000
November 1, 2016	2.0000%	6,725	6,725	0
May 1, 2017	2.0000%	146,725	6,725	140,000
November 1, 2017	2.0000%	5,325	5,325	0
May 1, 2018	2.0000%	165,325	5,325	160,000
November 1, 2018	2.0000%	3,725	3,725	0
May 1, 2019	2.0000%	173,725	3,725	170,000
November 1, 2019	2.2500%	2,025	2,025	0
May 1, 2020	2.2500%	182,025	2,025	180,000
		\$ 750,050	\$ 50,050	\$ 700,000

