

**Mt. Pleasant Public Schools**

**Financial Statements**

**June 30, 2019**



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**Mt. Pleasant Public Schools**  
**Members of the Board of Education and Administration**  
**June 30, 2019**

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**Members of the Board of Education**

Tim Odykirk – President

Beth Sorenson Prince – Vice President

Brandon McQueen – Treasurer

John Mozurkewich – Secretary

Amy Bond – Trustee

Sheila Murphy – Trustee

Courtney Stegman – Trustee

**Administration**

Jennifer Verleger – Superintendent

Ginger Faber – Chief Financial Officer



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## Independent Auditors' Report

Management and the Board of Education  
Mt. Pleasant Public Schools  
Mt. Pleasant, 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 Mt. Pleasant Public Schools, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the School 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.

### Auditors' 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 auditors' 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 Mt. Pleasant Public Schools, as of June 30, 2019, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### **Required Supplementary Information**

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

### **Other Information**

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

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated October 2, 2019 on our consideration of Mt. Pleasant Public Schools' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Mt. Pleasant Public Schools' internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Mt. Pleasant Public Schools' internal control over financial reporting and compliance.

*Yeo & Yeo, P.C.*

Alma, Michigan  
October 2, 2019

## MANAGEMENT'S DISCUSSION AND ANALYSIS

**Mt. Pleasant Public Schools**  
**Management's Discussion and Analysis**  
**June 30, 2019**

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

**Using this Annual Report**

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand Mt. Pleasant Public Schools financially as a whole. The *District-wide Financial Statements* provide information about the activities of the whole School District, presenting both an aggregate view of the School District's finances and a longer-term view of those finances. The fund financial statements provide the next level of detail. For governmental activities, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements look at the School District's operations in more detail than the district-wide financial statements by providing information about the School District's most significant funds; the General Fund and 2016 Capital Projects Fund, with all other funds presented in one column as nonmajor funds. The remaining statements, the statement of fiduciary net position and the statement of changes in fiduciary net position, presents financial information about activities for which the School District acts solely as an agent for the benefit of students and parents.

*Management's Discussion & Analysis (MD&A)*  
*(Required Supplemental Information)*  
**Basic Financial Statements**  
*Fund Financial Statements*  
*Notes to the Basic Financial Statements*  
*(Required Supplemental information)*  
*Budgetary Information for Major Funds*  
*Other Supplementary Information*

***Reporting the School District as a Whole - District-Wide Financial Statements***

One of the most important questions asked about the School District is, "As a whole, what is the School District's financial condition as a result of the year's activities?" The statement of net position and the statement of activities, which appear first in the School District's financial statements, report information on the School District as a whole and its activities in a way that helps you answer this question. We prepare these statements to include all assets and liabilities, using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the School District's net position - the difference between assets and liabilities, as reported in the statement of net position - as one way to measure the School District's financial health or financial position. Over time, increases or decreases in the School District's net position - as reported in the statement of activities - are indicators of whether its financial health is improving or deteriorating. The relationship between revenues and expenses is the School District's operating results. However, the School District's goal is to provide services to our students, not to generate profits as commercial entities do. One must consider many other nonfinancial factors, such as the quality of the education provided and the safety of the schools to assess the overall health of the School District.

**Mt. Pleasant Public Schools**  
**Management's Discussion and Analysis**  
**June 30, 2019**

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The statement of net position and the statement of activities report the governmental activities for the School District, which encompass all of the School District's services, including instruction, supporting services, community services, athletics, and food services. Property taxes, unrestricted state aid (foundation allowance revenue), and state and federal grants finance most of these activities.

***Reporting the School District's Most Significant Funds - Fund Financial Statements***

The School District's fund financial statements provide detailed information about the most significant funds - not the School District as a whole. Some funds are required to be established by state law and by bond covenants. However, the School District establishes many other funds to help it control and manage money for particular purposes (the Food Service and Community Services Funds are examples) or to show that it's meeting legal responsibilities for using certain taxes, grants, and other money (like bond-funded construction funds used for voter-approved capital projects). The governmental funds of the School District use the following accounting approach:

Governmental funds - All of the School District's services are reported in governmental funds. Governmental fund reporting focuses on showing how money flows into and out of funds and the balances left at year end that are available for spending. They are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the operations of the School District and the services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the School District's programs. We describe the relationship (or differences) between governmental activities (reported in the statement of net position and the statement of activities) and governmental funds in a reconciliation.

***The School District as Trustee - Reporting the School District's Fiduciary Responsibilities***

The School District is the trustee, or fiduciary, for its student activity funds and scholarships. All of the School District's fiduciary activities are reported in a separate statement of fiduciary net position. We exclude these activities from the School District's other financial statements because the School District cannot use these assets to finance its operations. The School District is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

**Mt. Pleasant Public Schools**  
**Management's Discussion and Analysis**  
**June 30, 2019**

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**The School District as a Whole**

The Statement of Net Position provides the perspective of the School District as a whole. Table 1 provides a summary of the School District's net position as of June 30, 2019 and 2018:

**TABLE 1**

	Governmental Activities	
	June 30,	
	2019	2018
	<u>(in millions)</u>	<u>(in millions)</u>
<b>Assets</b>		
Current assets	\$ 15.7	\$ 22.5
Capital assets, net of accumulated depreciation	<u>66.6</u>	<u>63.8</u>
Total assets	82.3	86.3
<b>Deferred outflows of resources</b>		
Deferred amount on refunding	0.1	0.1
Deferred amount relating to net pension and OPEB liabilities	<u>28.1</u>	<u>16.9</u>
Total assets and deferred outflows of resources	<u>110.5</u>	<u>103.3</u>
<b>Liabilities</b>		
Current liabilities	5.6	7.3
Long-term liabilities	<u>118.0</u>	<u>113.4</u>
Total liabilities	123.6	120.7
<b>Deferred inflows or resources</b>		
Deferred amount relating to net pension and OPEB liabilities	<u>12.5</u>	<u>6.9</u>
Total liabilities and deferred inflows of resources	<u>136.1</u>	<u>127.6</u>
<b>Net position</b>		
Net investment in capital assets	41.5	39.5
Restricted	3.1	2.8
Unrestricted	<u>(70.2)</u>	<u>(66.6)</u>
Total net position	<u>\$ (25.6)</u>	<u>\$ (24.3)</u>

**Mt. Pleasant Public Schools  
Management's Discussion and Analysis  
June 30, 2019**

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The above analysis focuses on the net position (see Table 1). The change in net position (see Table 2) of the School District's governmental activities is discussed below. The School District's net position was (\$25.6) million and (\$24.3) million respectively at June 30, 2019 and 2018. Net investment in capital assets totaling \$41.5 million at June 30, 2019, compares the original cost, less depreciation of the School District's capital assets to long-term debt used to finance the acquisition of those assets. Most of the debt will be repaid from voter-approved property taxes collected as the debt service comes due. Restricted net assets are reported separately to show legal constraints from debt covenants and enabling legislation that limit the School District's ability to use that net position for day-to-day operations. The remaining amount of net position of (\$70.2) million was unrestricted.

The (\$70.2) million in unrestricted net position of governmental activities represents the *accumulated* results of all past years' operations. The unrestricted net position balance enables the School District to meet working capital and cash flow requirements as well as to provide for future uncertainties. The operating results of the General Fund will have a significant impact on the change in unrestricted net position from year to year. The reason for the large deficit balance at June 30, 2019 and 2018 is due to the adoption of GASB 68 and 75, which add a net pension liability of \$71.6 million and \$61.3 million at June 30, 2019 and 2018, respectively, and a net OPEB liability of \$19.1 million and \$21.0 million at June 30, 2019 and 2018, respectively.

The results of this year's operations for the School District as a whole are reported in the statement of activities (Table 2), which shows the changes in net position for fiscal year 2019 and 2018.

**TABLE 2**

	2019	2018
<b>Revenues</b>		
Program revenue		
Charges for services	\$ 1.3	\$ 1.3
Operating grants and contributions	15.2	15.1
General revenue		
Property taxes	14.4	14.9
State aid - unrestricted	17.3	17.6
Other	0.2	0.3
Total revenues	48.4	49.2

**Mt. Pleasant Public Schools  
Management's Discussion and Analysis  
June 30, 2019**

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	2019	2018
<b>Expenses</b>		
Instruction	\$ 31.7	\$ 30.8
Support services	14.6	14.9
Food services	1.3	1.4
Ahtletics	0.6	0.5
Community services	0.7	0.6
Interest and fiscal charges on long-term debt	0.8	1.1
Total expenses	49.7	49.3
Change in net position	\$ (1.3)	\$ (0.1)

As reported in the statement of activities, the cost of all of our *governmental* activities this year was \$48.4 million. Certain activities were partially funded from those who benefited from the programs (\$1.3 million) or by other governments and organizations that subsidized certain programs with grants and contributions (\$15.2 million). We paid for the remaining "public benefit" portion of our governmental activities with \$14.4 million in taxes, \$17.3 million in state foundation allowance, and \$0.2 million with our other revenues, i.e., interest and general entitlements. The School District experienced a decrease in net position of approximately (\$1.3) million in the year ended June 30, 2019.

As discussed above, the net cost shows the financial burden that was placed on the state and the School District's taxpayers by each of these functions. Since property taxes for operations and unrestricted state aid constitute the vast majority of district operating revenue sources, the Board of Education and administration must annually evaluate the needs of the School District and balance those needs with state-prescribed available unrestricted resources.

**The School District's Funds**

As we noted earlier, the School District uses funds to help it control and manage money for particular purposes. Looking at funds help the reader consider whether the School District is being accountable for the resources taxpayers and others provide to it and may provide more insight into the School District's overall financial health.

As the School District completed this year, the governmental funds reported a combined fund balance of \$10.2 million, which is a decrease of approximately \$5.2 million from last year. With the exception of the Capital Projects Fund, the individual funds remained fairly constant in the current year with minimal changes. General Fund decreased \$.8 million and the School District budgeted for this loss. The decrease in the Capital Projects Fund of \$4.7 million was a result of expenditures for the construction projects.

**Mt. Pleasant Public Schools**  
**Management's Discussion and Analysis**  
**June 30, 2019**

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**General Fund and Tribal Grants Budgetary Highlights**

Over the course of the year, the School District revises its budget as it attempts to deal with unexpected changes in revenues and expenditures. State law requires that the budget be amended to ensure that expenditures do not exceed appropriations. The final amendment to the budget was adopted June 18, 2019. A schedule showing the School District's original and final budget amounts compared with amounts actually paid and received is provided in required supplementary information of these financial statements.

***General Fund Without Tribal Grants***

There were revisions made to the 2018/2019 General Fund original budget, however, the change was incredibly minimal.

Budgeted expenditures were increased \$1.2 million resulting from the School District's revised operating plan due to the fluctuations in revenue and resulting expenses and the decrease in student enrollment over what was budgeted. The amount of transfers in from other funds established in the amended budget was \$0.1 million and represents support provided to the General Fund from other functions.

There were variances between the final budget and actual amounts. This variance was expected and planned due to \$0.2 million of carryover for curriculum development, \$0.56 million of state grant revenue carried forward into the next fiscal year, and the hard work of our staff to be effective stewards of our taxpayer's dollars.

***General Fund Tribal Grants***

There were revisions made to the 2018/2019 General Fund Tribal Grants' original budget. Budgeted revenues increased \$.7 million due to timing of knowing the 2017/2018 carry over amount and uncertainty of the current year grant allocations until they are received.

Budgeted expenditures were also increased \$2.4 million resulting from the 2017/2018 carry over being budgeted after the beginning budget was created.

There were variances between the final budget and actual amounts. This variance was expected and planned due to \$2.0 million of unspent tribal grants.

**Mt. Pleasant Public Schools  
Management's Discussion and Analysis  
June 30, 2019**

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**Capital Assets and Debt Administration**

***Capital Assets***

As of June 30, 2019 and June 30, 2018, the School District had approximately \$115.3 and \$110.8 million, respectively, invested in a broad range of capital assets, including land, buildings, vehicles, furniture, and equipment.

	2019	2018
Land	\$ 0.2	\$ 0.2
Construction in progress	5.0	10.1
Building and additions	94.9	85.2
Equipment and furniture	13.0	13.0
Buses and other vehicles	2.2	2.3
Total capital assets	\$ 115.3	\$ 110.8

This year's additions of approximately \$4.5 million included mostly building additions and renovations.

Due to the passage of a \$30 million bond issue in May 2016, the district plans over the next several years to complete \$30 million worth of major capital projects. We present more detailed information about our capital assets in the notes to the financial statements.

***Debt***

At the end of this year, the School District had \$27.2 million in bonds and other obligations outstanding versus \$31.1 million in the previous year - a change of 12.5 percent. Those bonds and other notes and obligations consisted of the following:

	2019	2018
Bonds	\$ 23.7	\$ 30.9
Other obligations	3.5	0.2
Total	\$ 27.2	\$ 31.1

**Mt. Pleasant Public Schools**  
**Management's Discussion and Analysis**  
**June 30, 2019**

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The state limits the amount of general obligation debt that schools can issue to 15 percent of the assessed value of all taxable property within the School District's boundaries. If the School District issues "Qualified Debt," i.e., debt backed by the State of Michigan, such obligations are not subject to this debt limit. The School District's outstanding unqualified general obligation debt of \$23.7 million is significantly below the approximately \$142 million statutorily imposed limit.

Other obligations include accrued vacation pay, sick leave and retirement incentives. We present more detailed information about our long-term liabilities in the notes to the financial statements.

**Economic Factors and Next Year's Budgets and Rates**

Our elected officials and administration consider many factors when setting the School District's 2019/2020 fiscal year budget. One of the most important factors affecting the budget is our student count and the unknown foundation allowance for the new fiscal year. The state foundation revenue is determined by multiplying the blended student count by the foundation allowance per pupil. The blended count for the 2019/2020 fiscal year is 90 percent of the October 2019 and 10 percent of the February 2019 student counts. The 2019/2020 budget was adopted in June 2019, based on an estimate of students that will be enrolled in October 2019, and is anticipated to be revised in November 2019. Approximately 68 percent of total General Fund revenue is from the foundation allowance. Under state law, the School District cannot access additional property tax revenue for general operations. As a result, district funding is heavily dependent on the state's ability to fund local school operations. Based on early enrollment data at the start of the 2019/2020 school year, we anticipated that the fall student count will be fairly even with the estimates used in developing the 2019/2020 budget. Once the final student count and related per pupil funding is validated, state law requires the School District to amend the budget if actual district resources are not sufficient to fund original appropriations.

Since the School District's revenue is heavily dependent on state funding and the health of the state's school aid fund, the actual revenue received depends on the state's ability to collect revenues to fund its appropriation to school districts. The state periodically holds a revenue-estimating conference to estimate revenues. Based on the results of the conference, the state estimates if there will be sufficient funds to fund the appropriation. If there are not sufficient funds, the legislature must revise the appropriation or proration of state aid will occur. This will have an impact on the School District's state projected revenues. At the time the budget was adopted in June of 2019, the state had still not set their budget for the upcoming fiscal year. Therefore, we budgeted the same foundation allowance as in 2018/2019. The district will amend the budget if needed.

**Requests for Information**

This financial report is designed to give our citizens, taxpayers, parents, students, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. Questions concerning this report or requests for additional information should be addressed to the Chief Financial Officer, Mt. Pleasant Public Schools, 720 N. Kinney Avenue, Mt. Pleasant, MI 48858; telephone number 989-775-2304.

## BASIC FINANCIAL STATEMENTS

**Mt. Pleasant Public Schools**  
**Statement of Net Position**  
**June 30, 2019**

	Governmental Activities
<b>Assets</b>	
Cash and cash equivalents	\$ 8,627,223
Taxes receivable	172,958
Accounts receivable	105,152
Due from other governmental units	6,449,493
Inventory	318,212
Prepaid items	915
Capital assets not being depreciated	5,218,032
Capital assets - net of accumulated depreciation	61,440,359
Total assets	82,332,344
<b>Deferred outflows of resources</b>	
Deferred amount on refunding	70,294
Deferred amount relating to the net pension liability	24,360,163
Deferred amount relating to the net OPEB liability	3,720,004
Total deferred outflows of resources	28,150,461
Total assets and deferred outflows of resources	110,482,805
<b>Liabilities</b>	
Accounts payable	684,289
Due to other governmental units	485,554
Payroll deductions and withholdings	12,963
Accrued expenditures	1,713,898
Accrued salaries payable	2,136,520
Unearned revenue	616,081
Noncurrent liabilities	
Net pension liability	71,628,741
Net OPEB liability	19,131,059
Debt due within one year	3,867,152
Debt due in more than one year	23,362,777
Total liabilities	123,639,034

See Accompanying Notes to the Financial Statements

**Mt. Pleasant Public Schools**  
**Statement of Net Position**  
**June 30, 2019**

	Governmental Activities
<b>Deferred inflows of resources</b>	
Deferred amount relating to net pension liability	\$ 8,144,231
Deferred amount relating to net OPEB liability	4,300,658
Total deferred inflows of resources	12,444,889
Total liabilities and deferred inflows of resources	136,083,923
<b>Net position</b>	
Net investment in capital assets	41,501,203
Restricted for	
Sports programs	14,768
Debt service	656,994
Grants	1,997,633
Food service	380,390
Unrestricted (deficit)	(70,152,106)
<b>Total net position</b>	<b>\$ (25,601,118)</b>

See Accompanying Notes to the Financial Statements

**Mt. Pleasant Public Schools**  
**Statement of Activities**  
**For the Year Ended June 30, 2019**

	Program Revenues				
Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Position	
<b>Functions/Programs</b>					
Governmental activities					
Instruction	\$ 31,684,827	\$ 166,260	\$ 8,736,339	\$ -	\$ (22,782,228)
Supporting services	14,571,378	44,339	5,416,946	-	(9,110,093)
Food services	1,344,977	220,925	977,046	-	(147,006)
Athletic activities	577,924	198,800	42,671	-	(336,453)
Community services	746,834	645,505	30,654	-	(70,675)
Interest and fiscal charges on long-term debt	804,096	-	-	-	(804,096)
<b>Total governmental activities</b>	<b>\$ 49,730,036</b>	<b>\$ 1,275,829</b>	<b>\$ 15,203,656</b>	<b>\$ -</b>	<b>(33,250,551)</b>
General revenues					
Property taxes, levied for general purposes					9,519,038
Property taxes, levied for debt service					4,866,521
State aid - unrestricted					17,273,666
Interest and investment earnings					113,813
Gain on sale of capital assets					23,687
Other					147,018
Total general revenues					31,943,743
Change in net position					(1,306,808)
Net position - beginning					(24,294,310)
<b>Net position - ending</b>					<b>\$ (25,601,118)</b>

See Accompanying Notes to the Financial Statements

**Mt. Pleasant Public Schools**  
**Governmental Funds**  
**Balance Sheet**  
**June 30, 2019**

	General Fund	2016 Capital Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>Assets</b>				
Cash and cash equivalents	\$ 5,188,754	\$ 2,034,182	\$ 1,404,287	\$ 8,627,223
Taxes receivable	122,181	-	50,777	172,958
Accounts receivable	68,125	-	37,027	105,152
Due from other funds	201,349	121,307	332,112	654,768
Due from other governmental units	6,278,459	-	171,034	6,449,493
Inventory	298,234	-	19,978	318,212
Prepaid items	915	-	-	915
<b>Total assets</b>	<b><u>\$ 12,158,017</u></b>	<b><u>\$ 2,155,489</u></b>	<b><u>\$ 2,015,215</u></b>	<b><u>\$ 16,328,721</u></b>
<b>Liabilities and fund balances</b>				
<b>Liabilities</b>				
Accounts payable	\$ 91,402	\$ 355,194	\$ 237,693	\$ 684,289
Due to other funds	453,419	-	201,349	654,768
Due to other governmental units	485,554	-	-	485,554
Payroll deductions and withholdings	12,963	-	-	12,963
Accrued expenditures	1,546,273	-	-	1,546,273
Accrued salaries payable	2,136,520	-	-	2,136,520
Unearned revenue	581,329	-	34,752	616,081
<b>Total liabilities</b>	<b><u>5,307,460</u></b>	<b><u>355,194</u></b>	<b><u>473,794</u></b>	<b><u>6,136,448</u></b>

See Accompanying Notes to the Financial Statements

**Mt. Pleasant Public Schools**  
**Governmental Funds**  
**Balance Sheet**  
**June 30, 2019**

	<u>General Fund</u>	<u>2016 Capital Projects Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Fund balances				
Non-spendable				
Inventory	\$ 298,234	\$ -	\$ 19,978	\$ 318,212
Prepaid items	915	-	-	915
Restricted for				
Sports program	-	-	14,768	14,768
Debt service	-	-	824,619	824,619
Food service	-	-	360,412	360,412
Capital projects	-	1,800,295	-	1,800,295
Grants	1,997,633	-	-	1,997,633
Assigned for				
Building and department expenditures	210,767	-	-	210,767
Bookstore	-	-	15,140	15,140
Community services	-	-	306,504	306,504
Subsequent year's expenditures	1,659,526	-	-	1,659,526
Unassigned	<u>2,683,482</u>	<u>-</u>	<u>-</u>	<u>2,683,482</u>
<b>Total fund balances</b>	<u>6,850,557</u>	<u>1,800,295</u>	<u>1,541,421</u>	<u>10,192,273</u>
<b>Total liabilities and fund balances</b>	<u>\$ 12,158,017</u>	<u>\$ 2,155,489</u>	<u>\$ 2,015,215</u>	<u>\$ 16,328,721</u>

See Accompanying Notes to the Financial Statements

**Mt. Pleasant Public Schools**  
**Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position**  
**June 30, 2019**

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<b>Total fund balances for governmental funds</b>	<b>\$ 10,192,273</b>
Total net position for governmental activities in the statement of net position is different because	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	
Capital assets not being depreciated	5,218,032
Capital assets - net of accumulated depreciation	61,440,359
Deferred outflows (inflows) of resources	
Deferred outflows of resources resulting from debt refunding	70,294
Deferred outflows of resources resulting from the net pension liability	24,360,163
Deferred inflows of resources resulting from the net pension liability	(8,144,231)
Deferred outflows of resources resulting from the net OPEB liability	3,720,004
Deferred inflows of resources resulting from the net OPEB liability	(4,300,658)
Certain liabilities are not due and payable in the current period and are not reported in the funds.	
Accrued interest	(167,625)
Long-term liabilities applicable to governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities.	
Net pension liability	(71,628,741)
Net OPEB liability	(19,131,059)
Compensated absences	(202,152)
Bonds payable	(23,710,000)
Bond premium	<u>(3,317,777)</u>
<b>Net position of governmental activities</b>	<b><u>\$ (25,601,118)</u></b>

**Mt. Pleasant Public Schools**  
**Governmental Funds**  
**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**For the Year Ended June 30, 2019**

	General Fund	2016 Capital Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>Revenues</b>				
Local sources	\$ 11,896,470	\$ 82,035	\$ 5,838,850	\$ 17,817,355
Intermediate sources	682,485	-	-	682,485
State sources	24,175,327	-	126,503	24,301,830
Federal sources	1,405,166	-	963,365	2,368,531
Interdistrict sources	3,229,340	-	-	3,229,340
	<u>41,388,788</u>	<u>82,035</u>	<u>6,928,718</u>	<u>48,399,541</u>
Total revenues				
<b>Expenditures</b>				
Current				
Education				
Instruction	27,451,017	-	-	27,451,017
Supporting services	12,987,394	-	44,450	13,031,844
Food services	-	-	1,235,936	1,235,936
Athletic activities	516,940	-	9,873	526,813
Community services	71,674	-	579,694	651,368
Intergovernmental payments	828,609	-	-	828,609
Capital outlay	415,115	4,740,854	89,988	5,245,957
Debt service				
Principal	-	-	3,475,000	3,475,000
Interest and other expenditures	-	-	1,168,134	1,168,134
	<u>42,270,749</u>	<u>4,740,854</u>	<u>6,603,075</u>	<u>53,614,678</u>
Total expenditures				
Excess (deficiency) of revenues over expenditures	<u>(881,961)</u>	<u>(4,658,819)</u>	<u>325,643</u>	<u>(5,215,137)</u>

See Accompanying Notes to the Financial Statements

**Mt. Pleasant Public Schools**  
**Governmental Funds**  
**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**For the Year Ended June 30, 2019**

	General Fund	2016 Capital Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>Other financing sources (uses)</b>				
Proceeds from sale of capital assets	\$ 23,687	\$ -	\$ -	\$ 23,687
Transfers in	73,796	-	249,761	323,557
Transfers out	-	-	(323,557)	(323,557)
Total other financing sources (uses)	<u>97,483</u>	<u>-</u>	<u>(73,796)</u>	<u>23,687</u>
Net change in fund balances	(784,478)	(4,658,819)	251,847	(5,191,450)
Fund balances - beginning	<u>7,635,035</u>	<u>6,459,114</u>	<u>1,289,574</u>	<u>15,383,723</u>
<b>Fund balances - ending</b>	<u><u>\$ 6,850,557</u></u>	<u><u>\$ 1,800,295</u></u>	<u><u>\$ 1,541,421</u></u>	<u><u>\$ 10,192,273</u></u>

See Accompanying Notes to the Financial Statements

**Mt. Pleasant Public Schools**  
**Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances**  
**of Governmental Funds to the Statement of Activities**  
**For the Year Ended June 30, 2019**

<b>Net change in fund balances - Total governmental funds</b>	<b>\$ (5,191,450)</b>
<p>Total change in net position reported for governmental activities in the statement of activities is different because Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.</p>	
Depreciation expense	(1,946,556)
Capital outlay	4,781,602
<p>Expenses are recorded when incurred in the statement of activities.</p>	
Interest	22,663
Compensated absences	6,641
<p>The statement of net position reports the net pension liability and deferred outflows of resources and deferred inflows related to the net pension liability and pension expense. However, the amount recorded on the governmental funds equals actual pension contributions.</p>	
Net change in net pension liability	(10,299,934)
Net change in deferrals of resources related to the net pension liability	6,879,233
<p>The statement of net position reports the net OPEB liability and deferred outflows of resources and deferred inflows related to the net OPEB liability and OPEB expense. However, the amount recorded on the governmental funds equals actual OPEB contributions.</p>	
Net change in net OPEB liability	1,868,206
Net change in deferrals of resources related to the net OPEB liability	(1,243,588)
<p>Bond and note proceeds and capital leases are reported as financing sources in the governmental funds and thus contribute to the change in fund balance. In the statement of net position, however, issuing debt increases long-term liabilities and does not affect the statement of activities. Similarly, repayment of principal is an expenditure in the governmental funds but reduces the liability in the statement of net position. Also, governmental funds report the effect of premiums, discounts and similar items when debt is first issued, whereas these amounts are recorded as liabilities and amortized in the statement of activities. When debt refunding occurs, the difference in the carrying value of the refunding debt and the amount applied to the new debt is reported the same as regular debt proceeds or repayments, as a financing source or expenditure in the governmental funds. However, in the statement of net position, debt refunding may result in deferred inflows of resources or deferred outflows of resources, which are then amortized in the statement of activities.</p>	
Repayments of long-term debt	3,475,000
Amortization of premiums	364,807
Amortization of deferred amount on refunding	(23,432)
<b>Change in net position of governmental activities</b>	<b>\$ (1,306,808)</b>

See Accompanying Notes to the Financial Statements

**Mt. Pleasant Public Schools**  
**Fiduciary Funds**  
**Statement of Fiduciary Net Position**  
**June 30, 2019**

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	<u>Private Purpose Trust Fund</u>	<u>Agency Fund</u>
<b>Assets</b>		
Cash	\$ -	\$ 368,687
Accounts receivable	<u>-</u>	<u>65</u>
Total assets	<u>-</u>	<u>\$ 368,752</u>
<b>Liabilities</b>		
Accounts payable	-	\$ 3,076
Due to agency fund activities	<u>-</u>	<u>365,676</u>
Total liabilities	<u>-</u>	<u>\$ 368,752</u>
<b>Net position</b>		
Assets held for scholarships	<u>\$ -</u>	

See Accompanying Notes to the Financial Statements

**Mt. Pleasant Public Schools**  
**Fiduciary Funds**  
**Private Purpose Trust Funds**  
**Statement of Changes in Fiduciary Net Position**  
**For the Year Ended June 30, 2019**

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	<u>Private Purpose Trust Fund</u>
<b>Additions</b>	\$ -
<b>Deductions</b>	<u>38</u>
Change in net position	(38)
Net position - beginning	<u>38</u>
<b>Net position - ending</b>	<u><u>\$ -</u></u>

See Accompanying Notes to the Financial Statements

**Mt. Pleasant Public Schools**  
**Notes to the Financial Statements**  
**June 30, 2019**

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**Note 1 - Summary of Significant Accounting Policies**

The accounting policies of the Mt. Pleasant Public Schools (School District) conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The following is a summary of the School District's significant accounting policies:

**Reporting Entity**

The School District is governed by an elected seven-member Board of Education. The accompanying financial statements have been prepared in accordance with criteria established by the Governmental Accounting Standards Board for determining the various governmental organizations to be included in the reporting entity. These criteria include significant operational financial relationships that determine which of the governmental organizations are a part of the School District's reporting entity, and which organizations are legally separate component units of the School District. The School District has no component units.

**District-wide Financial Statements**

The School District's basic financial statements include both district-wide (reporting for the district as a whole) and fund financial statements (reporting the School District's major funds). The district-wide financial statements categorize all nonfiduciary activities as either governmental or business type. All of the School District's activities are classified as governmental activities.

The statement of net position presents governmental activities on a consolidated basis, using the economic resources measurement focus and accrual basis of accounting. This method recognizes all long-term assets and receivables as well as long-term debt and obligations. The School District's net position are reported in three parts (1) net investment in capital assets, (2) restricted net position, and (3) unrestricted net position.

The statement of activities reports both the gross and net cost of each of the School District's functions. The functions are also supported by general government revenues (property taxes and certain intergovernmental revenues). The statement of activities reduces gross expenses (including depreciation) by related program revenues, operating and capital 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 and federal sources, interest income, etc.). In creating the district-wide financial statements the School District has eliminated interfund transactions.

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

**Fund Financial Statements**

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the district-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the School District 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

**Mt. Pleasant Public Schools**  
**Notes to the Financial Statements**  
**June 30, 2019**

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well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, unrestricted state aid, intergovernmental grants, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenue of the current fiscal period. All other revenue items are considered to be available only when cash is received by the government.

Fiduciary fund statements also are reported using the economic resources measurement focus and the accrual basis of accounting.

The School District reports the following major governmental funds:

General Fund – The General Fund is used to record the general operations of the School District pertaining to education and those operations not required to be provided for in other funds. It also includes funding related to local trial grants.

2016 Capital Projects Fund – The Capital Projects Fund is used to record bond proceeds or other revenue and the disbursement of invoices specifically designated for acquiring new school sites, buildings, equipment, and for remodeling and repairs. The fund is kept open until the purpose for which the fund was created has been accomplished.

Additionally, the School District reports the following fund types:

Special Revenue Funds – Special Revenue Funds are used to account for the proceeds of specific revenue sources that are restricted to expenditures for specified purposes. The School District's Special Revenue Funds include Food Service, Self-Sustaining Sports Fund, Bookstore, and Community Services Fund.

Debt Service Funds – Debt Service Funds are used to record tax, interest, and other revenue and the payment of interest, principal, and other expenditures on long-term debt.

Fiduciary Funds – Fiduciary Funds are used to account for assets held by the School District in a trustee capacity or as an agent. The Private Purpose Trust Funds are used to account for contributions received by the School District to provide donor-specified services that benefit the School District. The Agency Fund is custodial in nature (assets equal liabilities) and does not involve the measurement of results of operations. This fund is used to record the transactions of student groups for school and school-related purposes.

**Assets, Liabilities and Net Position**

Receivables and Payables – Generally, outstanding amounts owed between funds are classified as “due from/to other funds”. These amounts are caused by transferring revenues and expenses between funds to get them into the proper reporting fund. These balances are paid back as cash flow permits.

All trade and property tax receivables are shown net of an allowance for uncollectible amounts. The School District considers all accounts receivable to be fully collectible; accordingly no allowance for uncollectible amounts is recorded.

**Mt. Pleasant Public Schools**  
**Notes to the Financial Statements**  
**June 30, 2019**

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Property taxes collected are based upon the approved tax rate for the year of levy. For the fiscal year ended June 30, 2019, the rates are as follows per \$1,000 of assessed value.

General Fund	
Non-principal residence exemption	18.00
Commercial personal property	6.00
Debt Service Funds	4.66

School property taxes are assessed and collected in accordance with enabling state legislation by cities and townships within the School District's boundaries.

The property tax levy runs from July 1 to June 30. Property taxes become a lien on the first day of the levy year and are due on or before September 14 or February 14. Collections are forwarded to the School District as collected by the assessing municipalities. Real property taxes uncollected as of March 1 are purchased by the County and remitted to the School District by May 15.

Inventories and Prepaid Items – Inventories are valued at cost, on a first-in, first-out basis. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

Certain payments to vendors reflect costs applicable to future fiscal years. For such payments in governmental funds the School District follows the consumption method, and they therefore are capitalized as prepaid items in both district-wide and fund financial statements.

Capital Assets – Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at their acquisition value at the date of donation. The School District defines capital assets as assets with an initial individual cost in excess of \$5,000. Costs of normal repair and maintenance that do not add to the value or materially extend asset lives are not capitalized. The School District does not have infrastructure assets.

Buildings, equipment, and vehicles are depreciated using the straight-line method over the following useful lives:

Buildings and additions	40 years
Equipment and furniture	5-20 years
Buses and other vehicles	7 years

Deferred Outflows of Resources – A deferred outflow of resources is a consumption of net position by the government that is applicable to a future reporting period. Deferred amounts on bond refundings are included in the district-wide financials statements. The amounts represent the difference between the reacquisition price and the net carrying amount of the prior debt. For district-wide financial statements, the School District reports deferred outflows of resources as a result of pension and OPEB plan earnings. This amount is the result of a difference between what the plan expected to earn from plan investments and what is actually earned. This amount will be amortized over the next four years and included in pension and OPEB expense. Changes in assumptions and experience differences relating to the net pension and OPEB liabilities are deferred and amortized over the expected remaining services lives of the employees and retirees in the plans. The School District also reported deferred outflows of resources for pension and OPEB contributions made after the measurement date. This amount will reduce the net pension and OPEB liabilities in the following year.

Compensated Absences – The liability for compensated absences reported in the district-wide statements consists of earned but unused accumulated vacation, sick leave, and retirement benefits. A liability for these amounts is reported in governmental funds as it comes due for payment. The liability has been calculated using the vesting method, in which leave amounts for both employees who are currently eligible to receive termination payments and other employees who are expected to become eligible in the future to receive such payments upon termination are included.

**Mt. Pleasant Public Schools**  
**Notes to the Financial Statements**  
**June 30, 2019**

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Long-term Obligations – In the district-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight line method, which is not materially different from the interest rate method. Bonds payable are reported net of the applicable bond premium or discount.

In the School District's fund financial statements, the face amount of debt issued is reported as other financing sources. Premiums received on debt issuance are reported as other financing sources, while discounts are reported as other financing uses.

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 School Employees Retirement System (MPERS) and additions to/deductions from MPERS fiduciary net position have been determined on the same basis as they are reported by MPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

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

Deferred Inflows of Resources – A deferred inflow of resources is an acquisition of net position by the government that is applicable to a future reporting period. For governmental funds this includes unavailable revenue in connection with receivables for revenues that are not considered available to liquidate liabilities of the current period. For district-wide financial statements, the School District reports deferred inflows of resources as a result of pension and OPEB plan earnings. This amount is the result of a difference between what the plan expected to earn from the plan investments and what the plan actually earned. This amount will be amortized over the next four years and included in pension and OPEB expense. Changes in assumptions and experience differences relating to the net pension and OPEB liabilities are deferred and amortized over the expected remaining services lives of the employees and retirees in the plans. Deferred inflows of resources also includes revenue received relating to the amounts included in the deferred outflows for payments related to MPERS Unfunded Actuarial Accrued Liabilities (UAAL) Stabilization defined benefit pension statutorily required contributions.

Fund Balance – In the fund financial statements, governmental funds report fund balance in the following categories:

Non-spendable – amounts that are not available in a spendable form.

Restricted – amounts that are legally imposed or otherwise required by external parties to be used for a specific purpose.

Committed – amounts that have been formally set aside by the Board of Education for specific purposes. A fund balance commitment may be established, modified, or rescinded by a resolution of the Board of Education.

Assigned – amounts intended to be used for specific purposes, as determined by the Superintendent. The Board of Education has granted the Superintendent the authority to

**Mt. Pleasant Public Schools**  
**Notes to the Financial Statements**  
**June 30, 2019**

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assign funds. Residual amounts in governmental funds other than the general fund are automatically assigned by their nature.

Unassigned – all other resources; the remaining fund balances after non-spendable, restrictions, commitments and assignments.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the District is to consider restricted funds spent first.

When an expenditure is incurred for purposes for which committed, assigned, or unassigned amounts could be used, the District is to consider the funds to be spent in the following order: (1) committed, (2) assigned, (3) unassigned.

**Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities, as well as deferred inflows and deferred outflows of resources at the date of the financial statements and the reported amounts of revenue and expenditures during the reporting period. Actual results could differ from those estimates.

**Eliminations and Reclassifications**

In the process of aggregating data for the statement of net position and the statement of activities, some amounts reported as interfund activity and balances in the funds were eliminated or reclassified. Interfund receivables and payables were eliminated to minimize the “grossing up” effect on assets and liabilities within the governmental activities column.

**Adoption of New Accounting Standards**

Statement No. 83, *Certain Asset Retirement Obligations* establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. The requirements of this Statement are effective for the fiscal year ending June 30, 2019.

Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements* improves the information that is disclosed in notes to the District’s financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities districts should include when disclosing information related to debt. It requires that additional essential information related to debt be disclosed in notes to financial statements, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses. It will also require that existing and additional information be provided for direct borrowings and direct placements of debt separately from other debt. The requirements of this Statement are effective for the fiscal year ending June 30, 2019.

**Upcoming Accounting and Reporting Changes**

Statement No. 84, *Fiduciary Activities* improves the guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. The focus of the criteria includes the following: (1) is the government controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. The four fiduciary funds that should be reported, if applicable are: (1) pension (and other employee benefit) trust funds, (2) investment trust funds, (3) private-purpose trust funds, and (4) custodial funds. Custodial funds generally will report fiduciary activities that are not held in a

**Mt. Pleasant Public Schools**  
**Notes to the Financial Statements**  
**June 30, 2019**

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trust or similar arrangement that meets specific criteria. The requirements of this Statement are effective for the fiscal year ending June 30, 2020.

Statement No. 87, *Leases* increases the usefulness of the District's financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. A lessee will be required to recognize a lease liability and an intangible right-to-use a lease asset, and a lessor will be required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about the District's leasing activities. The requirements of this Statement are effective for the fiscal year ending June 30, 2021.

Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period* enhances the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and to simplify accounting for interest cost incurred before the end of a construction period. It requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reporting in a business-type activity or enterprise fund. Interest cost incurred before the end of a construction period should be recognized as an expenditure for financial statements prepared using the current financial resources measurement. The requirements of this Statement are effective for the fiscal year ending June 30, 2021.

The School District is evaluating the impact that the above GASBs will have on its financial reporting.

**Note 2 - Stewardship, Compliance, and Accountability**

**Budgetary Information**

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America and state law for the General and Special Revenue Funds. All annual appropriations lapse at fiscal year end, thereby cancelling all encumbrances. These appropriations are reestablished at the beginning of the year.

The budget document presents information by fund and function. The legal level of budgetary control adopted by the governing body is the function level. State law requires the School District to have its budget in place by July 1. A district is not considered in violation of the law if reasonable procedures are in use by the School District to detect violations.

The Superintendent is authorized to transfer budgeted amounts between functions within any fund; however, any revisions that alter the total expenditures of any fund must be approved by the Board of Education.

Budgeted amounts are as originally adopted or as amended by the Board of Education throughout the year.

**Excess of Expenditures over Appropriations**

The School District did not have significant expenditure budget variances.

**Mt. Pleasant Public Schools**  
**Notes to the Financial Statements**  
**June 30, 2019**

**Compliance - Bond Proceeds**

The 2016 Capital Projects Fund includes capital project activities funded with bonds issued after May 1, 1994. For this capital project, management believes the School District as complied, in all material respects, with the applicable provisions of Section 1351a of the Revised School Code. The following is a summary of the revenue and expenditures in the 2016 Capital Project Fund for the inception of the fund through the current fiscal year.

Revenues	\$ 26,501,352
Expenditures	24,701,057

**Note 3 - Deposits and Investments**

The School District's deposits and investments were reported in the basic financial statements in the following categories:

	<u>Governmental Activities</u>	<u>Fiduciary Funds</u>	<u>Total</u>
Cash	<u>\$ 8,627,223</u>	<u>\$ 368,687</u>	<u>\$ 8,995,910</u>

The breakdown between deposits and investments for the School District is as follows:

Deposits (checking, savings accounts, money markets, certificates of deposit)	\$ 6,708,408
Investments in securities, mutual funds, and similar vehicles	<u>2,287,502</u>
Total	<u>\$ 8,995,910</u>

As of yearend, the District had the following investments:

<u>Investment</u>	<u>Fair Value</u>	<u>Maturities</u>	<u>Rating</u>	<u>Rating Organization</u>
Michigan Liquid Asset Fund - CMS	\$ 26	6 months average	AAA	Standard & Poor's
Michigan Liquid Asset Fund - MAX	<u>2,287,476</u>	6 months average	AAA	Standard & S & P
	<u>\$ 2,287,502</u>			

*Interest rate risk* – The District does not have a formal investment policy to manage its exposure to fair value losses arising from changes in interest rates.

*Credit risk* – State statutes and the School District's investment policy authorize the School District to make deposits in the accounts of federally insured banks, credit unions, and savings and loan associations that have an office in Michigan; the School District is allowed to invest in U.S. Treasury or Agency obligations, U.S. government repurchase agreements, bankers' acceptances, commercial paper rated prime at the time of purchase that matures not more than 270 days after the date of purchase, mutual funds, and investment pools that are composed of authorized investment vehicles.

*Concentration of credit risk* – The District has no policy that would limit the amount that may be invested with any one issuer.

*Custodial credit risk – deposits* – In the case of deposits, this is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a deposit policy for custodial credit risk. As of year end, \$6,585,446 of the District's bank balance of \$7,085,446 was exposed to custodial credit risk.

**Mt. Pleasant Public Schools**  
**Notes to the Financial Statements**  
**June 30, 2019**

*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. As of June 30, 2019, none of the District’s investments were exposed to custodial credit risk.

**Note 4 - Fair Value Measurements**

The School District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The School District has the following recurring fair value measurements as of June 30, 2019:

Amounts invested in MILAF + MAX Class of \$2,287,476 and MILAF + Cash Management Class of \$26. The MILAF + MAX Class and MILAF + Cash Management Class are not registered under Rule 2a-7 under the Investment Company Act of 1940. The money market securities are valued using amortized cost, which generally approximates the current fair value of the security. However, the value is not obtained from a quoted price in an active market (Level 2 inputs).

**Note 5 - Capital Assets**

A summary of the changes in governmental capital assets is as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Governmental activities</b>				
Capital assets not being depreciated				
Land	\$ 196,550	\$ -	\$ -	\$ 196,550
Construction-in-progress	10,148,201	5,021,482	10,148,201	5,021,482
Total capital assets not being depreciated	<u>10,344,751</u>	<u>5,021,482</u>	<u>10,148,201</u>	<u>5,218,032</u>
Capital assets being depreciated				
Buildings and additions	85,218,539	9,630,781	-	94,849,320
Equipment and furniture	12,974,620	33,318	-	13,007,938
Buses and other vehicles	2,317,373	244,222	355,999	2,205,596
Total capital assets being depreciated	<u>100,510,532</u>	<u>9,908,321</u>	<u>355,999</u>	<u>110,062,854</u>
Less accumulated depreciation for				
Buildings and additions	34,122,181	1,592,977	-	35,715,158
Equipment and furniture	11,611,190	146,369	-	11,757,559
Buses and other vehicles	1,298,567	207,210	355,999	1,149,778
Total accumulated depreciation	<u>47,031,938</u>	<u>1,946,556</u>	<u>355,999</u>	<u>48,622,495</u>
Net capital assets being depreciated	<u>53,478,594</u>	<u>7,961,765</u>	<u>-</u>	<u>61,440,359</u>
Net capital assets	<u>\$ 63,823,345</u>	<u>\$ 12,983,247</u>	<u>\$ 10,148,201</u>	<u>\$ 66,658,391</u>

Depreciation expense was charged to activities of the School District as follows:

<b>Governmental activities</b>	
Instruction	\$ 1,569,512
Support services	303,619
Food services	5,854
Athletic activities	14,720
Community services	52,851
Total governmental activities	<u>\$ 1,946,556</u>

**Mt. Pleasant Public Schools**  
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**Construction Commitments**

The School District has active construction projects as of June 30, 2019. These projects will be funded by the 2016 Capital Projects Fund. At year end, the School District's commitment with contractors is as follows:

<b>Project</b>	<u>Total Contract</u>	<u>Construction Commitment at Year End</u>
High School	\$ 4,108,717	\$ 489,227
Ganiard Elementary	1,008,926	623
Pullen Elementary	636,954	4,483
Vowles Elementary	777,316	223
Kinney	83,400	13,008
Rosebush	54,238	3,960
Furniture and Equipment	769,605	6,550
Construction Support and Fees	<u>2,667,130</u>	<u>90,037</u>
	<u>\$ 10,106,286</u>	<u>\$ 608,111</u>

**Note 6 - Interfund Receivables, Payables and Transfers**

Individual interfund receivable and payable balances at year end were:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Nonmajor funds	General Fund	\$ 581,873
2016 Capital Projects Fund	General Fund	121,307
General Fund	Nonmajor funds	<u>451,110</u>
		<u>\$ 1,154,290</u>

The outstanding balances between funds result mainly from the time lag between the dates that transactions are recorded in the accounting system and payments between funds are made.

Management does not anticipate individual interfund balances to remain outstanding for periods in excess of one year. Interfund transfers consist of the following:

<b>Transfers in</b>	<u>Transfers Out</u>
General fund	Nonmajor Governmental Funds
	<u>\$ 73,796</u>

Transfers were made to reimburse the General Fund for costs incurred for the Self-Sustaining Sports Fund and Community Services Fund. A transfer was also made to reimburse the General Fund for indirect costs incurred by the Food Service program.

**Note 7 - Unearned Revenue**

Governmental funds report unearned revenue in connection with resources that have been received but not yet earned. At the end of the current fiscal year, the components of unearned revenue are as follows:

Grant and categorical aid payments received prior to meeting all eligibility requirements	\$ 563,604
Student lunches	34,752
Driver education	17,355
Other	<u>370</u>
Total	<u>\$ 616,081</u>

**Mt. Pleasant Public Schools**  
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**Note 8 - Operating Lease**

The School District is entered into a copy agreement with Central Michigan University. The terms of the agreement go through August 2022. The School District's monthly payment is \$6,125. There may be adjustment to the total annual payments based on actual usage.

Future payments for the copy agreement are as follows:

<b>Year ending June 30,</b>	
2020	\$ 73,500
2021	73,500
2022	73,500
2023	<u>12,250</u>
 Total	 <u>\$ 232,750</u>

**Note 9 - Long-Term Debt**

The School District issues bonds, notes, and other contractual commitments to provide for the acquisition and construction of major capital facilities and the acquisition of certain equipment. General obligation bonds are direct obligations and pledge the full faith and credit of the School District. Other long-term obligations include compensated absences.

Long-term obligation activity is summarized as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Amount Due Within One Year
General obligation bonds	\$ 27,185,000	\$ -	\$ 3,475,000	\$23,710,000	\$ 3,665,000
Compensated absences	208,793	689,403	696,044	202,152	202,152
Premium on bonds	<u>3,682,584</u>	<u>-</u>	<u>364,807</u>	<u>3,317,777</u>	<u>-</u>
Total	<u>\$ 31,076,377</u>	<u>\$ 689,403</u>	<u>\$ 4,535,851</u>	<u>\$27,229,929</u>	<u>\$ 3,867,152</u>

For governmental activities, compensated absences are primarily liquidated by the general fund.

General obligation bonds payable at year end, consist of the following:

\$22,380,000 2016 Building and Site Bonds; principal due in annual installments ranging from \$465,000 to \$2,265,000, including interest at rates ranging from 4.00% to 5.00%, with a maturity in 2031	\$ 19,550,000
\$6,930,000 2016 Refunding Bonds; principal due in annual installments ranging from \$1,380,000 to \$1,400,000, including interest at rate of 4.00%, with a maturity in 2022	<u>4,160,000</u>
Total general obligation bonded debt	<u>\$ 23,710,000</u>

Future principal and interest requirements for bonded debt are as follows:

Year Ending June 30,	Principal	Interest	Total
2020	\$ 3,665,000	\$ 1,028,100	\$ 4,693,100
2021	2,920,000	881,500	3,801,500
2022	2,905,000	764,700	3,669,700
2023	1,560,000	648,500	2,208,500
2024	1,560,000	586,100	2,146,100
2025-2029	7,890,000	1,944,050	9,834,050
2030-2031	<u>3,210,000</u>	<u>240,750</u>	<u>3,450,750</u>
Total	<u>\$ 23,710,000</u>	<u>\$ 6,093,700</u>	<u>\$ 29,803,700</u>

The general obligation bonds are payable from a voter approved debt levy. Other long-term debt liabilities are expected to be paid primarily from general fund resources.

**Compensated Absences**

Accrued compensated absences at year end, consists of \$202,152 in accrued vacation, sick leave, and retirement benefits.

**Mt. Pleasant Public Schools**  
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**Deferred Amount on Debt Refunding**

The School District issued bonds in 2016 to advance refund and retire previously issued term bonds. The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt. This amount is reported in the accompanying statement of net position as a deferred outflow of resources and is being charged to activities through fiscal year 2022. There is no defeased debt.

Deferred amount of refunding activity is summarized as follows:

	Beginning Balance	Additions	Reductions	Ending Balance
Deferred amount on refunding	\$ 93,726	\$ -	\$ 23,432	\$ 70,294

**Note 10 - Risk Management**

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

The School District has purchased commercial insurance for boiler and medical claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in the past three fiscal years.

For all other coverage the School District participates in a shared risk pool that operates as a common risk-sharing management program for school districts in Michigan. Member premiums are used to purchase excess insurance coverage and to pay member claims in excess of deductible amounts.

The School District is subject to the Michigan Employment Security Act and has elected to pay unemployment claims on a direct self-insured basis. Under this method, the School District must reimburse the Employment Commission for all benefits charged against the School District. The School District had \$547 in employment compensation

expense for the year. No provision has been made for possible future claims.

**Note 11 - Pension Plan**

**Plan Description**

The Michigan Public School Employees' Retirement System (System or MPSERS) 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. The board consists of twelve members— eleven appointed by the Governor and the State Superintendent of Instruction, who serves as an ex-officio member.

The System's pension plan was established by the State to provide retirement, survivor and disability benefits to public school employees. In addition, the System's health plan provides all retirees with the option of receiving health, prescription drug, dental and vision coverage under the Michigan Public School Employees' Retirement Act (1980 PA 300 as amended).

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

The System's financial statements are available on the ORS website at [www.michigan.gov/orsschools](http://www.michigan.gov/orsschools).

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**Benefits Provided**

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. Depending on the plan option selected, member retirement benefits are determined by final average compensation, years of service, and a pension factor ranging from 1.25 percent to 1.50 percent. 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 plan member who leaves Michigan public school employment may request a refund of his or her member contributions to the retirement system account if applicable. 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 service through repayment of the refund upon satisfaction of certain requirements.

**Contributions**

Employers are required by Public Act 300 of 1980, as amended, to contribute amounts necessary to finance the coverage of active and retired members. 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. The unfunded (overfunded) actuarial accrued liability as of the September 30, 2017 valuation will be amortized over a 20-year period for the 2017 fiscal year.

The schedule below summarizes pension contribution rates in effect for plan fiscal year ended September 30, 2018.

Pension Contribution Rates		
Benefit Structure	Member	Employer
Basic	0.0 - 4.0%	17.89%
Member Investment Plan	3.0 - 7.0%	17.89%
Pension Plus	3.0 - 6.4%	16.61%
Pension Plus 2	6.2%	19.74%
Defined Contribution	0.0%	13.54%

Required contributions to the pension plan from the School District were \$6,488,186 for the year ending September 30, 2018.

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

At June 30, 2019, the School District reported a liability of \$71,628,741 for its proportionate share of the MPERS net pension liability. The net pension liability was measured as of September 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation rolled forward from September 2017. The School District's proportion of the net pension liability was determined by dividing each employer's statutorily required pension contributions to the system during the measurement period by the percent of pension contributions required from all applicable employers during the measurement period. At September 30, 2018, the School District's proportion was 0.2383 percent, which was an increase of 0.0016 percent from its proportion measured as of September 30, 2017. At September 30, 2018, the total pension expense for the School District was \$9,973,484. For the year ended June 30, 2019, the School District recognized pension expense of \$6,297,224.

**Mt. Pleasant Public Schools**  
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At June 30, 2019, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred (Inflows) of Resources	Total
Difference between expected and actual experience	\$ 332,371	\$ (520,514)	\$ (188,143)
Changes in assumptions	16,589,158	-	16,589,158
Net difference between projected and actual earnings on pension plan investments	-	(4,897,585)	(4,897,585)
Changes in proportion and differences between district contributions and proportionate share of contributions	1,565,336	(61,482)	1,503,854
Total to be recognized in future	18,486,865	(5,479,581)	13,007,284
District contributions subsequent to the measurement date	5,873,298	(2,664,650)	3,208,648
	\$ 24,360,163	\$ (8,144,231)	\$ 16,215,932

Contributions subsequent to the measurement date reported as deferred outflows of resources related to pensions resulting from employer contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

**Deferred (Inflow) and Deferred Outflow of Resources by Plan Year**  
**(To Be Recognized in Future Pension Expenses)**

2019	\$ 5,557,254
2020	3,898,987
2021	2,541,448
2022	1,009,595
	\$ 13,007,284

**Actuarial Assumptions**

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.

Additional information as of the latest actuarial valuation follows:

*Summary of Actuarial Assumptions:*

- Valuation Date: September 30, 2017
- Actuarial Cost Method: Entry Age, Normal
- Wage inflation rate: 2.75%
- Investment Rate of Return:
  - MIP and Basic Plans: 7.05%

**Mt. Pleasant Public Schools**  
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- Pension Plus Plan: 7.00%
- Pension Plus 2 Plan: 6.00%
- Projected Salary Increases: 2.75 – 11.55%, including wage inflation at 2.75%
- Cost-of-Living Pension Adjustments: 3% Annual Non-Compounded for MIP Members
- Mortality:
  - Retirees: RP-2014 Male and Female Healthy Annuitant Mortality Tables, scaled by 82% for males and 78% for females and adjusted for mortality improvements using projection scale MP-2017 from 2006.
  - Active Members: Male and Female Employee Annuitant Mortality Tables, scaled 100% and adjusted for mortality improvements using projection scale MP-2017 from 2006.

Assumption changes as a result of an experience study for the period 2012 through 2017 have been adopted by the System for use in the annual pension valuations beginning with the September 30, 2017 valuation. The total pension liability as of September 30, 2018, is based on the results of an actuarial valuation date of September 30, 2017, and rolled forward using generally accepted actuarial procedures, including the experience study.

Recognition period for liabilities is the average of the expected remaining service lives of all employees in years: 4.5304.

Recognition period for assets in years is 5.0000.

Full actuarial assumptions are available in the 2018 MPSERS Comprehensive Annual Financial Report found on the ORS website at [www.michigan.gov/orsschools](http://www.michigan.gov/orsschools).

**Long-Term Expected Return on Plan Assets**

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, 2018, are summarized in the following table:

Asset Class	Target Allocation	Long Term Expected Real Rate of Return*
Domestic Equity Pools	28.0 %	5.7%
Alternative Investment Pools	18.0	9.2
International Equity	16.0	7.2
Fixed Income Pools	10.5	5.0
Real Estate and Infrastructure Pools	10.0	3.9
Absolute Return Pools	15.5	5.2
Short Term Investment Pools	2.0	0.0
	100.0%	

*\*Long-term rates of return are net of administrative expenses and 2.3% inflation.*

**Rate of Return**

For the fiscal year ended September 30, 2018, the annual money-weighted rate of return on pension plan investment, net of pension plan investment expense, was 11.11%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

**Mt. Pleasant Public Schools**  
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**Discount Rate**

A discount rate of 7.05% was used to measure the total pension liability (7.0% for the Pension Plus plan, 6.0% for the Pension Plus 2 plan provided through non-university employers only). This discount rate was based on the long-term expected rate of return on pension plan investments of 7.05% (7.0% for the Pension Plus plan, 6.0% for the Pension Plus 2 plan). The projection of cash flows used to determine this discount rate assumed that plan member contributions will be made at the current contribution rate and that 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 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 School District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate**

The following presents the School District's proportionate share of the net pension liability calculated using the discount rate of 7.05% (7.0% for the Hybrid Plan), as well as what the School 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 higher:

1% Decrease	Current Single Discount Rate Assumption	1% Increase
6.05% / 6.0% / 5.0%	7.05% / 7.0% / 6.0%	8.05% / 8.0% / 7.0%
\$ 94,043,005	\$ 71,628,741	\$ 53,006,132

*\*The Basic plan and the Member Investment Plan (MIP) are non-hybrid plans. Pension Plus is a hybrid plan, with a defined benefit (pension) component and a defined contribution (DC) component.*

**Michigan Public School Employees' Retirement System (MPERS) Fiduciary Net Position**

Detailed information about the pension plan's fiduciary net position is available in the separately issued MPERS CAFR, available on the ORS website at [www.michigan.gov/orsschools](http://www.michigan.gov/orsschools).

**Payables to the Michigan Public School Employees' Retirement System (MPERS)**

There were no significant payables to the pension plan that are not ordinary accruals to the School District.

**Note 12 - Postemployment Benefits**

**Plan Description**

The Michigan Public School Employees' Retirement System (System or MPERS) is a cost-sharing, multiple employer, state-wide, defined benefit public employee retirement plan governed by the State of Michigan (State) originally created under Public Act 136 of 1945, recodified and currently operating under the provisions of Public Act 300 of 1980, as amended. Section 25 of this act establishes the board's authority to promulgate or amend the provisions of the System. The board consists of twelve members— eleven appointed by the Governor and the State Superintendent of Instruction, who serves as an ex-officio member.

The System's health plan provides all eligible retirees with the option of receiving health, prescription drug, dental and vision coverage under the Michigan Public School Employees' Retirement Act (1980 PA 300 as amended).

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

**Mt. Pleasant Public Schools**  
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The System's financial statements are available on the ORS website at [www.michigan.gov/orsschools](http://www.michigan.gov/orsschools).

**Benefits Provided**

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

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

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

**Contributions**

Employers are required by Public Act 300 of 1980, as amended, to contribute amounts necessary to finance the coverage of active and retired members. Contribution provisions are specified by State statute and may be amended only by action of the State Legislature.

Employer OPEB 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. The unfunded (overfunded) actuarial accrued liability as of the September 30, 2017 valuation will be amortized over a 20-year period for the 2017 fiscal year.

**Mt. Pleasant Public Schools**  
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The schedule below summarizes OPEB contribution rates in effect for fiscal year 2018:

Pension Contribution Rates		
Benefit Structure	Member	Employer
Basic	3.0%	6.44%
Member Investment Plan	0.0%	6.13%

Required contributions to the OPEB plan from the School District were \$1,562,206 for the year ended September 30, 2018.

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

At June 30, 2019, the School District reported a liability of \$19,131,059 for its proportionate share of the MPSERS net OPEB liability. The net OPEB liability was measured as of September 30, 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation rolled forward from September 2017. The School District's proportion of the net OPEB liability was determined by dividing each employer's statutorily required OPEB contributions to the system during the measurement period by the percent of OPEB contributions required from all applicable employers during the measurement period. At September 30, 2018, the School District's proportion was 0.2407 percent, which was an increase of 0.0035 percent from its proportion measured as of September 30, 2017. At September 30, 2018, the total OPEB expense for the School District was \$991,616. For the year ended June 30, 2019, the School District recognized total OPEB expense of \$1,659,596.

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

	Deferred Outflows of Resources	Deferred (Inflows) of Resources	Total
Difference between expected and actual experience	\$ -	\$ (3,560,782)	\$ (3,560,782)
Changes in assumptions	2,025,989	-	2,025,989
Net difference between projected and actual earnings on OPEB plan investments	-	(735,252)	(735,252)
Changes in proportion and differences between district contributions and proportionate share of contributions	269,378	(4,624)	264,754
Total to be recognized in future	2,295,367	(4,300,658)	(2,005,291)
District contributions subsequent to the measurement date	1,424,637	-	1,424,637
	<b>\$ 3,720,004</b>	<b>\$ (4,300,658)</b>	<b>\$ (580,654)</b>

**Mt. Pleasant Public Schools**  
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Contributions subsequent to the measurement date reported as deferred outflows of resources related to OPEB resulting from employer contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Deferred (Inflow) and Deferred Outflow of Resources by Plan Year  
 (To Be Recognized in Future OPEB Expenses)

		\$	
2019			(502,858)
2020			(502,858)
2021			(502,858)
2022			(353,266)
2023			(143,451)
		<u>\$</u>	<u>(2,005,291)</u>

**Actuarial Assumptions**

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.

Additional information as of the latest actuarial valuation follows:

*Summary of Actuarial Assumptions:*

- Valuation Date: September 30, 2017
- Actuarial Cost Method: Entry Age, Normal
- Wage inflation rate: 2.75%

- Investment Rate of Return: 7.15%
- Projected Salary Increases: 2.75 – 11.55%, including wage inflation at 2.75%
- Healthcare Cost Trend Rate: 7.5% Year 1 graded to 3.0% Year 12
- Mortality:
  - Retirees: RP-2014 Male and Female Healthy Annuitant Mortality Tables, scaled by 82% for males and 78% for females and adjusted for mortality improvements using projection scale MP-2017 from 2006.
  - Active Members: Male and Female Employee Annuitant Mortality Tables, scaled 100% and adjusted for mortality improvements using projection scale MP-2017 from 2006.

*Other Assumptions:*

- Opt Out Assumptions: 21% of eligible participants hired before July 1, 2008 and 30% of those hired after June 30, 2008 are assumed to opt out of the retiree health plan
- Survivor Coverage: 80% of male retirees and 67% of female retirees are assumed to have coverages continuing after the retiree's death
- Coverage Election at Retirement: 75% of male and 60% of female future retirees are assumed to elect coverage for 1 or more dependents.

Assumption changes as a result of an experience study for the period 2012 through 2017 have been adopted by the System for use in the annual pension valuations beginning with the September 30, 2017 valuation. The total OPEB liability as of September 30, 2018, is based on the results of an actuarial valuation date of September 30, 2017, and rolled forward using generally accepted actuarial procedures, including the experience study.

**Mt. Pleasant Public Schools**  
**Notes to the Financial Statements**  
**June 30, 2019**

Recognition period for liabilities is the average of the expected remaining service lives of all employees in years: 5.6018.

Recognition period for assets in years is 5.0000.

Full actuarial assumptions are available in the 2018 MPSERS Comprehensive Annual Financial Report found on the ORS website at [www.michigan.gov/orsschools](http://www.michigan.gov/orsschools).

**Long-Term Expected Return on Plan Assets**

The long-term expected rate of return on OPEB 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 OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the OPEB plan's target asset allocation as of September 30, 2018, are summarized in the following table:

Asset Class	Target Allocation	Long Term Expected Real Rate of Return*
Domestic Equity Pools	28.0 %	5.7%
Alternative Investment Pools	18.0	9.2
International Equity	16.0	7.2
Fixed Income Pools	10.5	5.0
Real Estate and Infrastructure Pools	10.0	3.9
Absolute Return Pools	15.5	5.2
Short Term Investment Pools	2.0	0.0
	<u>100.0%</u>	

\*Long-term rates of return are net of administrative expenses and 2.3% inflation.

**Rate of Return**

For the fiscal year ended September 30, 2018, the annual money-weighted rate of return on OPEB plan investment, net of OPEB plan investment expense, was 10.75%. 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 7.15% was used to measure the total OPEB liability. This discount rate was based on the long-term expected rate of return on OPEB plan investments of 7.15%. The projection of cash flows used to determine this discount rate assumed that plan member contributions will be made at the current contribution rate and that 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 OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

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

The following presents the School District's proportionate share of the net OPEB liability calculated using the discount rate of 7.15%, as well as what the School District's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage higher:

1% Decrease	Current Discount Rate	1% Increase
6.15%	7.15%	8.15%
\$ 22,966,447	\$ 19,131,059	\$ 15,905,028

**Mt. Pleasant Public Schools**  
**Notes to the Financial Statements**  
**June 30, 2019**

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**Sensitivity of the School District's Proportionate Share of the Net OPEB Liability to Healthcare Cost Trend Rate**

The following presents the School District's proportionate share of the net OPEB liability calculated using assumed trend rates, as well as what the School District's proportionate share of net OPEB liability would be if it were calculated using a trend rate that is 1-percentage-point lower or 1-percentage-point higher:

1% Decrease	Current Healthcare Cost Trend Rate	1% Increase
\$ 15,735,085	\$ 19,131,059	\$ 23,026,934

**OPEB Plan Fiduciary Net Position**

Detailed information about the OPEB plan's fiduciary net position is available in the separately issued 2018 MPSERS CAFR, available on the ORS website at [www.michigan.gov/orsschools](http://www.michigan.gov/orsschools).

**Payables to the OPEB Plan**

There were no significant payables to the OPEB plan that are not ordinary accruals to the School District.

**Note 13 - Contingent Liabilities**

Amounts received or receivable from grantor agencies are subjected to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of costs which may be disallowed by the grantor cannot be determined at this time although the School District expects such amounts, if any, to be immaterial. A separate report on federal compliance has been issued for the year June 30, 2019.

**Note 14 - Tax Abatements**

The School District receives reduced property tax revenues as a result of Industrial Facilities Tax exemptions and Brownfield Redevelopment Agreements granted by the cities and townships within the County. Industrial facility exemptions are intended to promote construction of new industrial facilities, or to rehabilitate historical facilities; Brownfield redevelopment agreements are intended to reimburse taxpayers that remediate environmental contamination on their properties.

For the fiscal year ended June 30, 2019, the School District's property tax revenues were reduced by \$497,779 under these programs.

There are no significant abatements made by the School District.

## REQUIRED SUPPLEMENTARY INFORMATION

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**Mt. Pleasant Public Schools**  
**Required Supplemental Information**  
**Budgetary Comparison Schedule - General Fund**  
**For the Year Ended June 30, 2019**

	<u>Budgeted Amounts</u>			Over (Under) Budget
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<b>Revenues</b>				
Local sources	\$ 11,952,130	\$ 11,976,875	\$ 11,896,470	\$ (80,405)
Intermediate sources	43,260	682,485	682,485	-
State sources	25,842,926	24,817,382	24,175,327	(642,055)
Federal sources	1,481,998	2,306,621	1,405,166	(901,455)
Interdistrict sources	3,029,510	3,228,377	3,229,340	963
Total revenues	<u>42,349,824</u>	<u>43,011,740</u>	<u>41,388,788</u>	<u>(1,622,952)</u>
<b>Expenditures</b>				
Instruction				
Basic programs	18,634,709	20,035,056	18,797,207	(1,237,849)
Added needs	9,176,254	9,524,655	8,379,219	(1,145,436)
Adult and continuing education	263,740	309,791	274,591	(35,200)
Supporting services				
Pupil	3,067,482	3,594,816	3,021,773	(573,043)
Instructional staff	1,801,479	2,134,168	1,757,617	(376,551)
General administration	565,405	504,932	468,215	(36,717)
School administration	2,013,245	1,921,966	1,914,889	(7,077)
Business	566,237	505,521	494,266	(11,255)
Operations and maintenance	2,728,133	2,762,086	2,690,261	(71,825)
Pupil transportation services	1,227,999	1,414,365	1,297,923	(116,442)
Central	1,044,088	1,091,995	1,033,627	(58,368)
Athletics	450,771	542,819	516,940	(25,879)
Other	273,204	381,078	308,823	(72,255)
Community services				
Intergovernmental payments	85,475	130,946	71,674	(59,272)
Capital outlay				
Intergovernmental payments	714,880	856,818	828,609	(28,209)
Capital outlay	347,305	801,511	415,115	(386,396)
Total expenditures	<u>42,960,406</u>	<u>46,512,523</u>	<u>42,270,749</u>	<u>(4,241,774)</u>
Excess (deficiency) of revenues over expenditures	<u>(610,582)</u>	<u>(3,500,783)</u>	<u>(881,961)</u>	<u>2,618,822</u>

**Mt. Pleasant Public Schools**  
**Required Supplemental Information**  
**Budgetary Comparison Schedule - General Fund**  
**For the Year Ended June 30, 2019**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Over (Under) Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Other financing sources (uses)</b>				
Proceeds from sale of capital assets	\$ 263,770	\$ 265,383	\$ 23,687	\$ (241,696)
Transfers in	-	2,974	73,796	70,822
Transfers out	40,146	-	-	-
Total other financing sources	<u>303,916</u>	<u>268,357</u>	<u>97,483</u>	<u>(170,874)</u>
Net change in fund balance	(306,666)	(3,232,426)	(784,478)	2,447,948
Fund balance - beginning	<u>7,635,035</u>	<u>7,635,035</u>	<u>7,635,035</u>	<u>-</u>
<b>Fund balance - ending</b>	<u><u>\$ 7,328,369</u></u>	<u><u>\$ 4,402,609</u></u>	<u><u>\$ 6,850,557</u></u>	<u><u>\$ 2,447,948</u></u>

**Mt. Pleasant Public Schools**  
**Required Supplementary Information**  
**Schedule of the School District's Proportionate Share of the Net Pension Liability**  
**Michigan Public School Employees Retirement Plan**  
**Last 10 Fiscal Years (Measurement Date September 30th, of Each June Fiscal Year)**

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	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
A. School District's proportion of net pension liability (%)	0.23830%	0.23670%	0.23420%	0.22690%	0.21794%					
B. School District's proportionate share of net pension liability	\$ 71,628,741	\$ 61,328,807	\$ 58,436,453	\$ 55,409,905	\$ 48,003,764					
C. School District's covered-employee payroll	\$ 20,533,689	\$ 19,842,574	\$ 17,607,066	\$ 19,015,329	\$ 18,903,843					
D. School District's proportionate share of net pension liability as a percentage of its covered-employee payroll	348.84%	309.08%	331.89%	291.40%	253.94%					
E. Plan fiduciary net position as a percentage of total pension liability	62.36%	64.21%	63.27%	66.20%	66.20%					

**Note Disclosures**

Changes of benefit terms: There were no changes of benefits terms in plan fiscal year 2018.

Changes of benefit assumptions: There were no changes of benefit assumptions in plan fiscal year 2018.

**Mt. Pleasant Public Schools**  
**Required Supplementary Information**  
**Schedule of the School District's Pension Contributions**  
**Michigan Public School Employees Retirement Plan**  
**Last 10 Fiscal Years**

		For the Years Ended June 30,									
		2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
A.	Statutorily required contributions	\$ 6,297,224	\$ 6,534,815	\$ 3,688,371	\$ 3,675,650	\$ 4,173,323					
B.	Contributions in relation to statutorily required contributions	<u>6,297,224</u>	<u>6,534,815</u>	<u>3,688,371</u>	<u>3,675,650</u>	<u>4,173,323</u>					
C.	Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>					
D.	School District's covered- employee payroll	\$ 20,746,724	\$ 20,432,874	\$ 19,743,565	\$ 19,371,735	\$ 19,345,668					
E.	Contributions as a percentage of covered-employee payroll	30.35%	31.98%	18.68%	18.97%	21.57%					

**Mt. Pleasant Public Schools**  
**Required Supplementary Information**  
**Schedule of the School District's Proportionate Share of the Net OPEB Liability**  
**Michigan Public School Employees Retirement Plan**  
**Last 10 Fiscal Years (Measurement Date September 30th, of Each June Fiscal Year)**

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	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
A. School District's proportion of net OPEB liability (%)	0.24070%	0.23710%								
B. School District's proportionate share of net OPEB liability	\$ 19,131,059	\$ 20,999,265								
C. School District's covered-employee payroll	\$ 20,533,689	\$ 19,842,574								
D. School District's proportionate share of net OPEB liability as a percentage of its covered-employee payroll	93.17%	105.83%								
E. Plan fiduciary net position as a percentage of total OPEB liability	42.95%	36.39%								

**Note Disclosures**

Changes of benefit terms: There were no changes of benefits terms in plan fiscal year 2018.

Changes of benefit assumptions: There were no changes of benefit assumptions in plan fiscal year 2018.

**Mt. Pleasant Public Schools**  
**Required Supplementary Information**  
**Schedule of the School District's OPEB Contributions**  
**Michigan Public School Employees Retirement Plan**  
**Last 10 Fiscal Years**

		For the Years Ended June 30,									
		2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
A.	Statutorily required contributions	\$ 1,659,596	\$ 1,520,032								
B.	Contributions in relation to statutorily required contributions	<u>1,659,596</u>	<u>1,520,032</u>								
C.	Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>								
D.	School District's covered- employee payroll	\$ 20,746,724	\$ 20,432,874								
E.	Contributions as a percentage of covered-employee payroll	8.00%	7.44%								

## OTHER SUPPLEMENTARY INFORMATION

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**Mt. Pleasant Public Schools**  
**Other Supplementary Information**  
**Nonmajor Governmental Funds**  
**Combining Balance Sheet**  
**June 30, 2019**

	Special Revenue Funds			Debt Service Funds			Total Nonmajor Governmental Funds	
	Food Service	Self-Sustaining Sports	Bookstore	Community Services	2015 Issue	2007 Issue		2016 Issue
<b>Assets</b>								
Cash	\$ 603,246	\$ -	\$ -	\$ -	\$ -	\$ 348,405	\$ 452,636	\$ 1,404,287
Taxes receivable	-	-	-	-	-	15,965	34,812	50,777
Accounts receivable	28,734	-	-	8,293	-	-	-	37,027
Due from other funds	-	14,768	15,146	302,198	-	-	-	332,112
Due from other governmental units	159,174	-	-	11,860	-	-	-	171,034
Inventory	19,978	-	-	-	-	-	-	19,978
<b>Total assets</b>	<b>\$ 811,132</b>	<b>\$ 14,768</b>	<b>\$ 15,146</b>	<b>\$ 322,351</b>	<b>\$ -</b>	<b>\$ 364,370</b>	<b>\$ 487,448</b>	<b>\$ 2,015,215</b>
<b>Liabilities and fund balance</b>								
<b>Liabilities</b>								
Accounts payable	\$ 221,840	\$ -	\$ 6	\$ 15,847	\$ -	\$ -	\$ -	\$ 237,693
Due to other funds	174,150	-	-	-	-	9,633	17,566	201,349
Unearned revenue	34,752	-	-	-	-	-	-	34,752
<b>Total liabilities</b>	<b>430,742</b>	<b>-</b>	<b>6</b>	<b>15,847</b>	<b>-</b>	<b>9,633</b>	<b>17,566</b>	<b>473,794</b>
<b>Fund balances</b>								
Non-spendable								
Inventory	19,978	-	-	-	-	-	-	19,978
Restricted for								
Sports programs	-	14,768	-	-	-	-	-	14,768
Debt service	-	-	-	-	-	354,737	469,882	824,619
Food service	360,412	-	-	-	-	-	-	360,412
Assigned	-	-	15,140	306,504	-	-	-	321,644
<b>Total fund balances</b>	<b>380,390</b>	<b>14,768</b>	<b>15,140</b>	<b>306,504</b>	<b>-</b>	<b>354,737</b>	<b>469,882</b>	<b>1,541,421</b>
<b>Total liabilities and fund balances</b>	<b>\$ 811,132</b>	<b>\$ 14,768</b>	<b>\$ 15,146</b>	<b>\$ 322,351</b>	<b>\$ -</b>	<b>\$ 364,370</b>	<b>\$ 487,448</b>	<b>\$ 2,015,215</b>

**Mt. Pleasant Public Schools**  
**Other Supplementary Information**  
**Nonmajor Governmental Funds**  
**Combining Statement of Revenues, Expenditures and Changes in Fund Balances**  
**For the Year Ended June 30, 2019**

	Special Revenue Funds				Debt Service Funds			Total Nonmajor Governmental Funds
	Food Service	Self-Sustaining Sports	Bookstore	Community Services	2015 Issue	2007 Issue	2016 Issue	
<b>Revenues</b>								
Local sources	\$ 258,965	\$ 13,084	\$ 44,339	\$ 646,081	\$ -	\$ 1,508,489	\$ 3,367,892	\$ 5,838,850
State sources	44,335	-	-	-	-	82,168	-	126,503
Federal sources	932,711	-	-	30,654	-	-	-	963,365
Total revenues	<u>1,236,011</u>	<u>13,084</u>	<u>44,339</u>	<u>676,735</u>	<u>-</u>	<u>1,590,657</u>	<u>3,367,892</u>	<u>6,928,718</u>
<b>Expenditures</b>								
Current								
Education								
Supporting services	-	-	44,450	-	-	-	-	44,450
Food services	1,235,936	-	-	-	-	-	-	1,235,936
Athletic activities	-	9,873	-	-	-	-	-	9,873
Community services	-	-	-	579,694	-	-	-	579,694
Capital outlay	44,951	1,523	899	42,615	-	-	-	89,988
Debt service								
Principal	-	-	-	-	-	1,390,000	2,085,000	3,475,000
Interest and other expenditures	-	-	-	-	-	222,517	945,617	1,168,134
Total expenditures	<u>1,280,887</u>	<u>11,396</u>	<u>45,349</u>	<u>622,309</u>	<u>-</u>	<u>1,612,517</u>	<u>3,030,617</u>	<u>6,603,075</u>
Excess (deficiency) of revenues over expenditures	(44,876)	1,688	(1,010)	54,426	-	(21,860)	337,275	325,643
<b>Other financing sources (uses)</b>								
Transfers in	-	-	-	-	-	249,761	-	249,761
Transfers out	(6,368)	(2,877)	-	(64,551)	(249,761)	-	-	(323,557)
Total other financing sources (uses)	<u>(6,368)</u>	<u>(2,877)</u>	<u>-</u>	<u>(64,551)</u>	<u>(249,761)</u>	<u>249,761</u>	<u>-</u>	<u>(73,796)</u>
Net change in fund balances	(51,244)	(1,189)	(1,010)	(10,125)	(249,761)	227,901	337,275	251,847
Fund balances - beginning	<u>431,634</u>	<u>15,957</u>	<u>16,150</u>	<u>316,629</u>	<u>249,761</u>	<u>126,836</u>	<u>132,607</u>	<u>1,289,574</u>
<b>Fund balances - ending</b>	<u>\$ 380,390</u>	<u>\$ 14,768</u>	<u>\$ 15,140</u>	<u>\$ 306,504</u>	<u>\$ -</u>	<u>\$ 354,737</u>	<u>\$ 469,882</u>	<u>\$ 1,541,421</u>

**Mt. Pleasant Public Schools**  
**Other Supplementary Information**  
**Schedule of Outstanding Bonded and Note Indebtedness**  
**June 30, 2019**

Year Ending June 30,	2016 School Building and Site Bonds	2016 Refunding Bonds	Total
2020	\$ 2,265,000	\$ 1,400,000	\$ 3,665,000
2021	1,535,000	1,385,000	2,920,000
2022	1,530,000	1,375,000	2,905,000
2023	1,560,000	-	1,560,000
2024	1,560,000	-	1,560,000
2025	1,565,000	-	1,565,000
2026	1,565,000	-	1,565,000
2027	1,570,000	-	1,570,000
2028	1,585,000	-	1,585,000
2029	1,605,000	-	1,605,000
2030	1,605,000	-	1,605,000
2031	1,605,000	-	1,605,000
Total	<u>\$ 19,550,000</u>	<u>\$ 4,160,000</u>	<u>\$ 23,710,000</u>
Principal payments due	May 1	May 1	
Interest payments due	May 1 and November 1	May 1 and November 1	
Interest rate	4.00 - 5.00%	4.85% - 5.00%	
Original issue	<u>\$ 22,380,000</u>	<u>\$ 6,930,000</u>	

**Mt. Pleasant Public Schools**  
**Required Supplementary Information**  
**Budgetary Comparison Schedule - General Fund Without Tribal Grants**  
**For the Year Ended June 30, 2019**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Over (Under) Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Local sources	\$ 11,952,130	\$ 11,976,875	\$ 11,896,470	\$ (80,405)
Intermediate sources	43,260	-	-	-
State sources	25,842,926	24,817,382	24,175,327	(642,055)
Federal sources	1,481,998	2,306,621	1,405,166	(901,455)
Interdistrict sources	<u>3,029,510</u>	<u>3,228,377</u>	<u>3,229,340</u>	<u>963</u>
Total revenues	<u>42,349,824</u>	<u>42,329,255</u>	<u>40,706,303</u>	<u>(1,622,952)</u>
<b>Expenditures</b>				
Instruction				
Basic programs	18,634,709	18,787,964	18,480,222	(307,742)
Added needs	9,176,254	9,343,560	8,345,521	(998,039)
Adult and continuing education	263,740	280,068	271,424	(8,644)
Supporting services				
Pupil	3,067,482	3,491,727	2,982,704	(509,023)
Instructional staff	1,801,479	1,923,957	1,690,358	(233,599)
General administration	565,405	504,932	468,215	(36,717)
School administration	2,013,245	1,905,224	1,911,422	6,198
Business	566,237	505,521	494,266	(11,255)
Operations and maintenance	2,728,133	2,757,249	2,690,088	(67,161)
Pupil transportation services	1,227,999	1,374,262	1,293,163	(81,099)
Central	1,044,088	1,079,079	1,031,441	(47,638)
Athletics	450,771	542,819	516,940	(25,879)
Other	273,204	319,388	303,220	(16,168)
Community services	85,475	108,064	64,181	(43,883)
Intergovernmental payments	714,880	856,818	828,609	(28,209)
Capital outlay	<u>347,305</u>	<u>405,905</u>	<u>223,866</u>	<u>(182,039)</u>
Total expenditures	<u>42,960,406</u>	<u>44,186,537</u>	<u>41,595,640</u>	<u>(2,590,897)</u>
Excess (deficiency) of revenues over expenditures	<u>(610,582)</u>	<u>(1,857,282)</u>	<u>(889,337)</u>	<u>967,945</u>

**Mt. Pleasant Public Schools**  
**Required Supplementary Information**  
**Budgetary Comparison Schedule - General Fund Without Tribal Grants**  
**For the Year Ended June 30, 2019**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Over (Under) Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Other financing sources</b>				
Proceeds from sale of capital assets	\$ 263,770	\$ 265,383	\$ 23,687	\$ (241,696)
Transfers in	40,146	90,662	87,292	(3,370)
Total other financing sources (uses)	<u>303,916</u>	<u>356,045</u>	<u>110,979</u>	<u>(245,066)</u>
Net change in fund balance	(306,666)	(1,501,237)	(778,358)	722,879
Fund balance - beginning	<u>5,631,252</u>	<u>5,631,252</u>	<u>5,631,252</u>	<u>-</u>
<b>Fund balance - ending</b>	<u>\$ 5,324,586</u>	<u>\$ 4,130,015</u>	<u>\$ 4,852,894</u>	<u>\$ 722,879</u>

**Mt. Pleasant Public Schools**  
**Required Supplementary Information**  
**Budgetary Comparison Schedule - General Fund Tribal Grants**  
**For the Year Ended June 30, 2019**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Over (Under) Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Intermediate sources	\$ -	\$ 682,485	\$ 682,485	\$ -
<b>Expenditures</b>				
Instruction				
Basic programs	-	1,247,092	316,985	(930,107)
Added needs	-	181,095	33,698	(147,397)
Adult and continuing education	-	29,723	3,167	(26,556)
Supporting services				
Pupil	-	103,089	39,069	(64,020)
Instructional staff	-	210,211	67,259	(142,952)
School administration	-	16,742	3,467	(13,275)
Operations and maintenance	-	4,837	173	(4,664)
Pupil transportation services	-	40,103	4,760	(35,343)
Central	-	12,916	2,186	(10,730)
Other	-	61,690	5,603	(56,087)
Community services	-	22,882	7,493	(15,389)
Capital outlay	-	395,606	191,249	(204,357)
Total expenditures	-	2,325,986	675,109	(1,650,877)
Excess (deficiency) of revenues over expenditures	-	(1,643,501)	7,376	1,650,877
<b>Other financing uses</b>				
Transfers out	-	(87,688)	(13,496)	74,192
Net change in fund balance	-	(1,731,189)	(6,120)	1,725,069
Fund balance - beginning	2,003,783	2,003,783	2,003,783	-
<b>Fund balance - ending</b>	<u>\$ 2,003,783</u>	<u>\$ 272,594</u>	<u>\$ 1,997,663</u>	<u>\$ 1,725,069</u>

**Mt. Pleasant Public Schools**

**Single Audit Report**

**June 30, 2019**



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**Report on Internal Control Over Financial Reporting  
and on Compliance and Other Matters Based on an  
Audit of Financial Statements Performed in Accordance  
with *Government Auditing Standards***

**Independent Auditors' Report**

Management and the Board of Education  
Mt. Pleasant Public Schools  
Mt. Pleasant, Michigan

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Mt. Pleasant Public Schools, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise Mt. Pleasant Public Schools' basic financial statements, and have issued our report thereon dated October 2, 2019.

**Internal Control Over Financial Reporting**

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

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

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

## Compliance and Other Matters

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

## Purpose of this Report

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

Yeo & Yeo, P.C.

Alma, Michigan  
October 2, 2019



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**Report on Compliance For Each Major Federal Program;  
Report on Internal Control Over Compliance; and  
Report on Schedule of Expenditures of Federal Awards  
Required by Uniform Guidance**

**Independent Auditors' Report**

Management and the Board of Education  
Mt. Pleasant Public Schools  
Mt. Pleasant, Michigan

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

We have audited Mt. Pleasant Public Schools' compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Mt. Pleasant Public Schools' major federal programs for the year ended June 30, 2019. Mt. Pleasant Public Schools' major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

***Auditors' Responsibility***

Our responsibility is to express an opinion on compliance for each of Mt. Pleasant Public Schools' major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Mt. Pleasant Public Schools' compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Mt. Pleasant Public Schools' compliance.

### ***Opinion on Each Major Federal Program***

In our opinion, Mt. Pleasant Public Schools complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2019.

### **Report on Internal Control over Compliance**

Management of Mt. Pleasant Public Schools is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Mt. Pleasant Public Schools' internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Mt. Pleasant Public Schools' internal control over compliance.

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

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

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

## Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Mt. Pleasant Public Schools, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise Mt. Pleasant Public Schools' basic financial statements. We issued our report thereon dated October 2, 2019, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the 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 schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

*Yeo & Yeo, P.C.*

Alma, Michigan  
October 2, 2019

**Mt. Pleasant Public Schools**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ended June 30, 2019**

Program Title/Project Number/Subrecipient Name	Grant/Project Number	CFDA Number	Approved Award Amount	(Memo Only) Prior Year Expenditures	Accrued (Unearned) Revenue July 1, 2018	Federal Funds/ Payments In-kind	Expenditures	Accrued (Unearned) Revenue June 30, 2019
U.S. Department of Agriculture								
Child Nutrition Cluster								
Passed through Michigan Department of Education								
Food Distribution								
Non-cash assistance (commodities)								
Entitlement	37010	10.555	\$ 106,038	\$ -	\$ -	\$ 106,038	\$ 106,038	\$ -
Bonus	37010		2,710	-	-	2,710	2,710	-
					<u>-</u>	<u>108,748</u>	<u>108,748</u>	<u>-</u>
Cash assistance								
School Breakfast Program 2017-18	181970	10.553	236,317	204,847	8,963	40,433	31,470	-
School Breakfast Program 2018-19	191970		248,495	-	-	196,658	248,495	51,837
					<u>8,963</u>	<u>237,091</u>	<u>279,965</u>	<u>51,837</u>
National School Lunch Program 2017-18	181960	10.555	579,489	520,322	13,122	72,289	59,167	-
National School Lunch Program 2018-19	191960		475,587	-	-	382,282	475,587	93,305
					<u>13,122</u>	<u>454,571</u>	<u>534,754</u>	<u>93,305</u>
Summer Food Service Program for Children 2017-18	180900	10.559	5,691	1,196	1,196	5,691	4,495	-
Summer Food Service Program for Children 2017-18	181900		597	126	126	597	471	-
Summer Food Service Program for Children 2018-19	190900	10.559	3,872	-	-	208	3,872	3,664
Summer Food Service Program for Children 2018-19	191900		406	-	-	22	406	384
					<u>1,322</u>	<u>6,518</u>	<u>9,244</u>	<u>4,048</u>
Total Child Nutrition Cluster					<u>23,407</u>	<u>806,928</u>	<u>932,711</u>	<u>149,190</u>
Child and Adult Care Food Program 2017-18	181920	10.558	23,601	17,195	4,489	10,895	6,406	-
Child and Adult Care Food Program 2018-19	191920		21,103	-	-	15,473	21,103	5,630
Child and Adult Care Food Program 2017-18	182010		3,214	2,426	540	1,328	788	-
Child and Adult Care Food Program 2018-19	192010		2,357	-	-	1,785	2,357	572
					<u>5,029</u>	<u>29,481</u>	<u>30,654</u>	<u>6,202</u>
Total Department of Agriculture					<u>28,436</u>	<u>836,409</u>	<u>963,365</u>	<u>155,392</u>
U.S. Department of Education								
Passed through Michigan Department of Education								
Adult Education - Basic Grants to States 2017-18	181130 181917	84.002	111,739	103,451	17,570	17,570	-	-
Adult Education - Basic Grants to States 2017-18	181190 181917		39,775	39,451	11,865	11,865	-	-
Adult Education - Basic Grants to States 2018-19	191130 191917		111,739	-	-	96,269	111,018	14,749
Adult Education - Basic Grants to States 2018-19	191190 191917		39,775	-	-	33,169	38,219	5,050
					<u>29,435</u>	<u>158,873</u>	<u>149,237</u>	<u>19,799</u>

See Accompanying Notes to the Schedule of Expenditures of Federal Awards

**Mt. Pleasant Public Schools**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ended June 30, 2019**

Program Title/Project Number/Subrecipient Name	Grant/Project Number	CFDA Number	Approved Award Amount	(Memo Only) Prior Year Expenditures	Accrued (Unearned) Revenue July 1, 2018	Federal Funds/ Payments In-kind	Expenditures	Accrued (Unearned) Revenue June 30, 2019
Title I Grants to Local Educational Agencies 2017-18	181530	84.010	\$ 875,728	\$ 798,669	\$ 379,864	\$ 389,645	\$ 9,781	\$ -
Title I Grants to Local Educational Agencies 2018-19	191530		906,118	-	-	738,027	826,755	88,728
					<u>379,864</u>	<u>1,127,672</u>	<u>836,536</u>	<u>88,728</u>
Title I State Agency Program for Neglected and Delinquent Children and Youth 2017-18	181700	84.013	50,610	18,740	5,105	6,830	1,725	-
Title I State Agency Program for Neglected and Delinquent Children and Youth 2018-19	191700		73,154	-	-	20,345	21,910	1,565
					<u>5,105</u>	<u>27,175</u>	<u>23,635</u>	<u>1,565</u>
English Language Acquisition State Grant 2018-2019	190570	84.365	8,537	2,217	1,378	1,378	-	-
Supporting Effective Instruction State Grants 2017-18	180520	84.367	277,745	227,122	85,334	85,334	-	-
Supporting Effective Instruction State Grants 2018-19	190520		273,764	-	-	171,610	184,380	12,770
					<u>85,334</u>	<u>256,944</u>	<u>184,380</u>	<u>12,770</u>
Student Support and Academic Enrichment Program 2017-18	180750	84.424	11,329	8,145	8,145	10,408	2,263	-
Student Support and Academic Enrichment Program 2018-19	190750		55,682	-	-	47,785	47,785	-
					<u>8,145</u>	<u>58,193</u>	<u>50,048</u>	<u>-</u>
Passed through Montcalm Area Intermediate School District								
Career and Technical Education - Basic Grants to States	CTE-P-2019-29000-0017	84.048	128,817	-	-	118,914	128,817	9,903
<b>Total Department of Education</b>					<u>509,261</u>	<u>1,749,149</u>	<u>1,372,653</u>	<u>132,765</u>
U.S. Department of Health and Human Services								
Passed through Saginaw Chippewa Indian Tribe								
Substance Abuse and Mental Health Services Projects of Regional and National Significance	SM-19-003	93.243	695,158	-	-	9,366	25,461	16,095
Passed through Gratiot-Isabella Regional Education Service District								
Medical Assistance Program 2017-18	N/A	93.778	8,383	8,393	2,797	2,797	-	-
Medical Assistance Program 2018-19			7,052	-	-	7,052	7,052	-
					<u>2,797</u>	<u>9,849</u>	<u>7,052</u>	<u>-</u>
<b>Total Department of Health and Human Services</b>					<u>2,797</u>	<u>19,215</u>	<u>32,513</u>	<u>16,095</u>
					<u>\$ 540,494</u>	<u>\$ 2,604,773</u>	<u>\$ 2,368,531</u>	<u>\$ 304,252</u>

See Accompanying Notes to the Schedule of Expenditures of Federal Awards

**Mt. Pleasant Public Schools**  
**Notes to the Schedule of Expenditures of Federal Awards**  
**June 30, 2019**

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**Note 1 - Basis of Presentation**

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of Mt. Pleasant Public Schools under programs of the federal government for the year ended June 30, 2019. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Mt. Pleasant Public Schools, it is not intended to and does not present the financial position, changes in financial positions of Mt. Pleasant Public Schools.

**Note 2 - Summary of Significant Accounting Policies**

**Expenditures**

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance where certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

**Indirect Cost Rate**

Mt. Pleasant Public Schools has elected not to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance.

**Note 3 - Reconciliation to the Financial Statements**

The federal revenues per the financial statements are in agreement with the schedule of expenditures of federal awards.

**Note 4 - Subrecipients**

No amounts were provided to subrecipients.

**Mt. Pleasant Public Schools**  
**Notes to the Schedule of Expenditures of Federal Awards**  
**June 30, 2019**

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**Note 5 - Michigan Department of Education Disclosures**

The federal amounts reported on the grant auditor report are in agreement with the schedule of expenditures of federal awards except for the following timing difference of when the deposit was made.

<u>Program Title</u>	<u>CFDA Number</u>	<u>Grant/Project Number</u>	<u>Receipts per GAR</u>	<u>Receipts per SEFA</u>	<u>Difference</u>
School Breakfast Program 2018-19	10.553	191970	\$ 248,495	\$ 196,658	\$ 51,837
National School Lunch Program 2018-19	10.555	191960	475,587	382,282	93,305
Child and Adult Care Food Program 2017-18	10.558	181920	8,576	10,895	(2,319)
Child and Adult Care Food Program 2017-18	10.558	182010	1,040	1,328	(288)
Adult Education - Basic Grants to States 2017-18	84.002	181130	10,426	17,570	(7,144)
Adult Education - Basic Grants to States 2017-18	84.002	181190	9,110	11,865	(2,755)
Title I Grants to Local Educational Agencies 2017-18	84.010	181530	73,490	389,645	(316,155)
Title I State Agency Program for Neglected and Delinquent Children and Youth 2017-18	84.013	181700	1,051	6,830	(5,779)
English Language Acquisition State Grant 2017-2018	84.365	180570	291	1,378	(1,087)
Supporting Effective Instruction State Grants 2017-18	84.367	180520	45,248	85,334	(40,086)
Student Support and Academic Enrichment Program 2017-18	84.424	180750	<u>2,263</u>	<u>10,408</u>	<u>(8,145)</u>
			<u>\$ 875,577</u>	<u>\$ 1,114,193</u>	<u>\$ (238,616)</u>

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

**Mt. Pleasant Public Schools**  
**Schedule of Findings and Questioned Costs**  
**June 30, 2019**

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**SECTION I - SUMMARY OF AUDITORS' RESULTS**

*Financial Statements*

Type of auditors' report issued on whether the financial statements were prepared in accordance with Generally Accepted Accounting Principles: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? \_\_\_\_\_ yes        X   no
- Significant deficiency(s) identified that are not considered to be material weaknesses? \_\_\_\_\_ yes        X   none reported

Noncompliance material to financial statements noted? \_\_\_\_\_ yes        X   no

*Federal Awards*

Internal control over major programs:

- Material weakness(es) identified? \_\_\_\_\_ yes        X   no
- Significant deficiency(s) identified that are not considered to be material weaknesses? \_\_\_\_\_ yes        X   none reported

Type of auditors' report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with §200.516(a)? \_\_\_\_\_ yes        X   no

Identification of major programs:

<i>CFDA Number(s)</i>	<i>Name of Federal Program or Cluster</i>
10.553, 10.555, 10.559	Child Nutrition Cluster

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

Auditee qualified as low-risk auditee?   X   yes      \_\_\_\_\_ no

**Mt. Pleasant Public Schools**  
**Schedule of Findings and Questioned Costs**  
**June 30, 2019**

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**SECTION II - GOVERNMENT AUDITING STANDARDS FINDINGS**

There were no *Government Auditing Standards* findings for the year ended June 30, 2019.

**SECTION III - FEDERAL AWARD FINDINGS**

There were no findings or questioned costs for Federal Awards for the year ended June 30, 2019.

**Mt. Pleasant Public Schools**  
**Summary Schedule of Prior Audit Findings**  
**June 30, 2019**

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**SECTION IV – PRIOR AUDIT FINDINGS**

**GOVERNMENT AUDITING STANDARDS FINDINGS**

There were no *Government Auditing Standards* findings for the year ended June 30, 2018.

**FEDERAL AWARD FINDINGS**

There were no findings or questioned costs for Federal Awards for the year ended June 30, 2018.



October 2, 2019

Management and the Board of Education  
Mt. Pleasant Public Schools  
Mt. Pleasant, Michigan

We have completed our audit of the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Mt. Pleasant Public Schools as of and for the year ended June 30, 2019, and have issued our report dated October 2, 2019. We are required to communicate certain matters to you in accordance with auditing standards generally accepted in the United States of America that are related to internal control and the audit. The first appendix to this letter sets forth those communications as follows:

I. Auditors' Communication of Significant Matters with Those Charged with Governance

In addition, we have identified additional matters that are not required to be communicated but we believe are valuable for management:

II. Matters for Management's Consideration

We discussed these matters with various personnel in the School District during the audit and with management. We would also be pleased to meet with you to discuss these matters at your convenience.

These communications are intended solely for the information and use of management, the Board of Education, and others within the School District, and are not intended to be and should not be used by anyone other than those specified parties.

*Yeo & Yeo, P.C.*

Alma, Michigan

## Appendix I

### Auditors' Communication of Significant Matters with Those Charged with Governance

Professional standards require that we provide you with information about our responsibilities under auditing standards generally accepted in the United States of America, *Government Auditing Standards* and Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our engagement letter June 3, 2019. Professional standards also require that we communicate to you the following information related to our audit.

#### Significant Audit Findings

##### *Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the School District are described in Note 1 of the financial statements. The School District has adopted the new Governmental Accounting Standards Board Statements as noted in the notes to the financial statements, effective July 1, 2018.

We noted no transactions entered into by the School District during the year where there is lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

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

- The useful lives of its capital assets. Useful lives are estimated based on the expected length of time during which the asset is able to deliver a given level of service.
- Net pension liability, and related deferred outflows of resources and deferred inflows of resources. The estimate is based on an actuarial report.
- Net OPEB liability, and related deferred outflows of resources and deferred inflows of resources. The estimate is based on an actuarial report.

We have evaluated the key factors and assumptions used to develop these estimates in determining that they are reasonable in relation to the financial statements taken as a whole and free from bias.

Disclosures in the financial statements are neutral, consistent and clear.

##### *Accounting Standards and Regulatory Updates*

#### Accounting Standards

The Governmental Accounting Standards Board has released the following Statements:

Statement No. 84, *Fiduciary Activities* improves the guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. The criteria generally is on (1) is the government controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. The four fiduciary funds that should be reported, if applicable are: (1) pension (and other employee benefit) trust funds, (2) investment trust funds, (3) private-purpose trust funds, and (4) custodial funds. Custodial funds generally will report fiduciary activities that are not held in a trust or similar

arrangement that meets specific criteria. The requirements of this Statement are effective for the fiscal year ending June 30, 2020.

Statement No. 87, *Leases* increases the usefulness of the District's financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. A lessee will be required to recognize a lease liability and an intangible right-to-use a lease asset, and a lessor will be required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about the District's leasing activities. The requirements of this Statement are effective for the fiscal year ending June 30, 2021.

Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period* enhances the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and to simplify accounting for interest cost incurred before the end of a construction period. It requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reporting in a business-type activity or enterprise fund. Interest cost incurred before the end of a construction period should be recognized as an expenditure for financial statements prepared using the current financial resources measurement. This statement is effective for the year ending June 30, 2021.

The School District is evaluating the impact the above pronouncements will have on its financial reporting.

### Regulatory and Other Updates

#### Federal Compliance

The Federal Compliance Supplement is being fully revised for 2019. Included in the revision is a mandate that the federal awarding agencies limit the requirement to test six of the compliance areas for each program. These program testing requirements are anticipated to vary on an annual basis. However, auditors will still need to perform a risk assessment to determine if any additional requirements may need to be tested, or if some of those requirements will not be necessary to test as it may not be direct and material to the program. This does not alleviate districts from following all of the compliance requirements as described in the grant agreement. It simply identifies which ones auditors will be testing.

#### Budget Assumptions & Early Warning

Each school district that has a general fund balance less than 5% of total unrestricted general revenue for either of the 2016-2017 or 2017-2018 school fiscal years is required to submit budget assumptions to the Center for Educational Performance and Information (CEPI).

#### Uniform Budgeting and Accounting Act (UBAA)

The UBAA establishes budget and accounting requirements for local governments and school districts, including public school academies. It also establishes oversight requirements for MDE as well as the Michigan Attorney General. Material violations of the UBAA, including but not limited to General Fund deficits, should be reported as financial statement findings in the audit report. UBAA states that if it becomes apparent during the year that the probable revenues will be less than the budgeted revenues, the fiscal officer shall present recommendations to the legislative body which, if adopted, would prevent expenditures from exceeding available revenues for the fiscal year. UBAA states that an officer of the school district shall not incur expenditures against an appropriation account in excess of the amount appropriated by the board. Noncompliance includes, but is not limited to, over-expending the budget authorized by the board. MDE is analyzing the General Fund only, and at the total revenues, expenditures and financing sources (uses) levels, rather than at the line item level. MDE has stated a 0% tolerance for UBAA noncompliance.

### *Difficulties Encountered in Performing the Audit*

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

### *Corrected and Uncorrected Misstatements*

Professional standards require that the auditor accumulate all known and likely misstatements identified during the audit, other than those the auditor believes to be trivial. The adjustments identified during the audit have been communicated to management and management has posted all but an adjustment related to non-teachers included in the July and August MESSA accrual for current year and prior year. The net effect of this resulted in General Fund and District-Wide liabilities being overstated by \$46,419, net position/fund balance being understated by \$46,419, expenditures being understated by \$2,648 and the change in fund balance being overstated by \$2,648.

In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

Management has determined that the effects of the uncorrected misstatement noted above is immaterial both individually and in the aggregate, qualitatively and quantitatively, to the financial statements taken as a whole.

### *Disagreements with Management*

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

### *Management Representations*

We have requested certain representations from management that are included in the management representation letter dated as of the date of the audit report.

### *Management's Consultations with Other Accountants*

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

### *Other Audit Findings or Issues*

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

### *Other Reports*

Other information that is required to be reported to you is included in the: Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*; Independent Auditors' Report on Compliance For Each Major Federal Program; Independent Auditors' Report on Internal Control Over Compliance; Independent Auditors' Report on Schedule of Expenditures of Federal Awards Required by the

Uniform Guidance; and the Schedule of Findings and Questioned Costs. Please read all information included in those reports to ensure you are aware of relevant information.

*Report on Required Supplementary Information*

With respect to the required supplementary information accompanying the financial statements, which includes management's discussion and analysis, schedule of the school district's proportionate share of the net pension liability, schedule of the school district's pension contributions, schedule of the school district's proportionate share of the net OPEB liability, schedule of the school district's OPEB contributions, and budgetary comparison information, we 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 regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements.

*Report on Other Supplementary Information*

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

Appendix II  
Matters for Management's Consideration

In planning and performing our audit of the financial statements of Mt. Pleasant Public Schools as of and for the year ended June 30, 2019, we considered Mt. Pleasant Public Schools' internal control over financial reporting (internal control) as a basis for designing our audit procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School District's internal control. Accordingly, we do not express an opinion on the effectiveness of the School District's internal control.

However, during our audit we became aware of a matter for management's consideration that is an opportunity for strengthening internal controls. This letter does not affect our report dated October 2, 2019, on the financial statements of Mt. Pleasant Public Schools. Our comment and recommendation regarding that matter is:

**Athletic Receipts**

We noted during our review of the athletic collection and reconciliation process that a form is used for athletic events to reconcile beginning and ending ticket numbers to the cash collected. We selected two High School football games and a basketball game. We noted the cashier and Athletic Director signatures were missing on many of the cashier reconciliation forms for the games selected. In addition, the number of tickets collected did not agree to the difference between the beginning and ending ticket numbers in some instances. The deposit did not agree to the reconciliation for one of the games as well.

We recommend controls be implemented to ensure beginning and ending ticket numbers for each event are documented on the cashier forms and can be reconciled to the amount of revenue collected. In addition a log of tickets used should be reconciled between events to verify all tickets are accounted for. We further recommend that cashiers and the Athletic Director review the reconciliation forms and deposit and sign off indicating their approval. This will help ensure that all funds related to athletics are being properly collected by the district. This was also a comment in the prior year.