

ALLENDALE PUBLIC SCHOOLS

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

YEAR ENDED JUNE 30, 2019

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INDEPENDENT AUDITOR'S REPORT

To the Board of Education
Allendale Public Schools

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Allendale Public Schools, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise Allendale Public Schools' basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Allendale Public Schools as of June 30, 2019, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Allendale Public Schools basic financial statements. The additional supplementary information, as identified in the table of contents, and the schedule of expenditures of federal awards as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 30, 2019 on our consideration of Allendale 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 Allendale 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 Allendale Public Schools' internal control over financial reporting and compliance.

Maney Costeiran PC

September 30, 2019

Allendale Public Schools

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2019

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

District-wide Financial Statements

The first two statements are District-wide financial statements that provide short-term and long-term financial information about the District's overall financial status. These statements are required by generally accepted accounting principles (GAAP) as described in the Government Accounting Standards Board (GASB) Statement No. 34. The statements are compiled using the full accrual basis of accounting and more closely represent financial statements presented by business and industry. All of the District's assets, deferred outflow of resources, liabilities, and deferred inflows of resources, both short-term and long-term, are reported. As such, these statements include capital assets, net of related depreciation, as well as the bonded debt and other long-term obligations of the District resulting in total net position.

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

Fund Financial Statements

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

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

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

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

Allendale Public Schools

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2019

Summary of Net Position

The following schedule summarizes the net position for the fiscal years ended June 30, 2019 and 2018:

| | June 30, 2019 | June 30, 2018 |
|-----------------------------------|-----------------|-----------------|
| Assets: | | |
| Current and other assets | \$ 14,112,176 | \$ 26,199,720 |
| Capital assets | 79,725,749 | 69,234,877 |
| Total assets | 93,837,925 | 95,434,597 |
| Deferred outflows of resources | 19,461,529 | 12,640,453 |
| Liabilities: | | |
| Long-term liabilities outstanding | 124,103,304 | 127,346,170 |
| Net pension liability | 45,824,205 | 39,972,681 |
| Net OPEB liability | 12,069,060 | 13,702,435 |
| Other liabilities | 6,638,963 | 6,561,687 |
| Total liabilities | 188,635,532 | 187,582,973 |
| Deferred inflows of resources | 8,601,852 | 4,237,088 |
| Net position: | | |
| Net investment in capital assets | (36,627,039) | (37,746,610) |
| Unrestricted | (47,310,891) | (45,998,401) |
| Total net position | \$ (83,937,930) | \$ (83,745,011) |

Analysis of Financial Position

During the fiscal year ended June 30, 2019, the District's combined net position decreased by \$192,919. A few of the more significant factors affecting net position during the year are discussed below:

➤ **Cash Equivalents, Deposits and Investments**

At June 30, 2019, the District's cash equivalents, deposits and investments amounted to \$9,874,149 (excluding fiduciary funds). This represented a decrease of \$12,171,862 from the previous year. \$6,637,899 is restricted for capital projects.

➤ **Capital Outlay Acquisitions**

For the fiscal year ended June 30, 2019, \$13,059,700 of expenditures were capitalized and recorded as assets of the District. These additions to the District's capital assets will be depreciated over time as explained below.

The net effect of the new capital assets, assets disposed of during the fiscal year, and the current year's depreciation is a net increase to capital assets in the amount of \$10,490,872 for the fiscal year ended June 30, 2019.

Allendale Public Schools

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2019

➤ Depreciation Expense

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

➤ Long term debt

For the fiscal year ended June 30, 2019, the District's bonded debt (including the School Loan Revolving Fund) decreased by \$3,224,065 as a net result of payments on bonded debt in the current year.

Results of Operations

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

| | Fiscal year ended June 30, 2019 | | Fiscal year ended June 30, 2018 | |
|-----------------------------|------------------------------------|---------|------------------------------------|---------|
| | Amount | % | Amount | % |
| General revenues: | | | | |
| Property taxes | \$11,087,974 | 29.74% | \$ 9,894,908 | 28.73% |
| State sources, unrestricted | 17,140,199 | 45.97% | 16,630,008 | 48.28% |
| Investment earnings | 453,775 | 1.22% | 166,890 | 0.48% |
| Other | 126,243 | 0.34% | 127,516 | 0.37% |
| Total general revenues | 28,808,191 | 77.26% | 26,819,322 | 77.87% |
| Program revenues: | | | | |
| Charges for services | 858,934 | 2.30% | 852,155 | 2.47% |
| Operating grants | 7,618,088 | 20.43% | 6,771,489 | 19.66% |
| Total revenues | 37,285,213 | 100.00% | 34,442,966 | 100.00% |
| Expenses: | | | | |
| Instruction | 18,421,293 | 49.15% | 16,599,751 | 48.07% |
| Support services | 11,020,730 | 29.41% | 10,186,489 | 29.50% |
| Community services | 465,411 | 1.24% | 407,084 | 1.18% |
| Food services | 878,763 | 2.34% | 806,000 | 2.33% |
| Depreciation - unallocated | 2,568,828 | 6.85% | 2,585,694 | 7.49% |
| Interest on long-term debt | 4,123,107 | 11.00% | 3,947,676 | 11.43% |
| Total expenses | 37,478,132 | 100.00% | 34,532,694 | 100.00% |
| Change in net position | \$ (192,919) | | \$ (89,728) | |

Allendale Public Schools

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2019

Analysis of Significant Revenues and Expenses

Significant revenues and expenditures are discussed in the segments below:

➤ **Property Taxes**

The District levied 18.000 mills of property taxes for operations on non-principal residence exempt property for the 2018 tax year. According to Michigan law, the tax levy is based on the taxable valuation of properties. The annual taxable valuation increases are capped at the rate of increase in the prior year's Consumer Price Index or 5%, whichever is less. At the time that property is sold, its taxable valuation is readjusted to the State Equalized Value, which in theory is one half of the property's market value. At June 30, 2019, there was \$1,347 in unpaid property taxes.

➤ **State Sources**

The majority of the unrestricted state sources of revenues is comprised of the per student foundation allowance. The State of Michigan funds school districts based on a blended student enrollment which is calculated using 90% of the current fiscal year's fall count (October) and 10% of the prior fiscal year's spring count (February). For the 2018 - 2019 fiscal year, the District received \$7,871 per student full time equivalent. The student foundation allowance amount increased by \$240 per student when compared to the 2017 - 2018 fiscal year.

➤ **Operating Grants**

The District receives a significant portion of its operating revenue from categorical grants. For the fiscal year ended June 30, 2019, federal, state, and other grants amounted to \$7,618,088. This represents a 12.50% increase from the \$6,771,489 received for the 2017 - 2018 fiscal year.

Comparative Expenditures

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

| | Fiscal year ended June 30, 2019 | Fiscal year ended June 30, 2018 | Increase (decrease) |
|------------------------------|------------------------------------|------------------------------------|------------------------|
| Expenditures: | | | |
| Instruction | \$ 17,426,786 | \$ 16,249,049 | \$ 1,177,737 |
| Supporting services | 10,443,129 | 9,763,823 | 679,306 |
| Food service activities | 852,777 | 798,109 | 54,668 |
| Community service activities | 453,846 | 397,977 | 55,869 |
| Capital outlay | 13,447,573 | 4,313,525 | 9,134,048 |
| Debt service | 18,379,145 | 17,014,539 | 1,364,606 |
| Total expenditures | <u>\$ 61,003,256</u> | <u>\$ 48,537,022</u> | <u>\$ 12,466,234</u> |

Allendale Public Schools

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2019

General Fund Budgetary Highlights

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

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

| | Original budget | Final budget | Actual | Final variance with budget | % variance |
|---------------------------------------|----------------------|----------------------|----------------------|-------------------------------|---------------|
| Total revenues | <u>\$ 28,363,120</u> | <u>\$ 29,059,900</u> | <u>\$ 29,062,720</u> | <u>\$ 2,820</u> | <u>0.01%</u> |
| Expenditures: | | | | | |
| Instruction | \$ 17,036,500 | \$ 17,505,700 | \$ 17,426,786 | \$ 78,914 | 0.45% |
| Supporting services | 10,497,000 | 10,498,600 | 10,443,129 | 55,471 | 0.53% |
| Community services | 410,700 | 444,500 | 453,846 | (9,346) | -2.10% |
| Total expenditures | <u>\$ 27,944,200</u> | <u>\$ 28,448,800</u> | <u>\$ 28,323,761</u> | <u>\$ 125,039</u> | <u>0.44%</u> |
| Other financing sources (uses) | <u>\$ 5,000</u> | <u>\$ (200,000)</u> | <u>\$ (273,000)</u> | <u>\$ (73,000)</u> | <u>36.50%</u> |

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

Capital Asset and Debt Administration

Capital Assets

By the end of the 2018 - 2019 fiscal year, the District had invested approximately \$114.7 million as the original cost in a broad range of capital assets, including land, construction in progress, land improvements, school buildings and facilities, school buses and other vehicles, and various types of equipment. This represents a net increase of \$13,059,700 over the prior fiscal year. Depreciation expense for the year amounted to \$2,568,827, bringing the accumulated depreciation to roughly \$34.5 million as of June 30, 2019.

| | Cost | Accumulated depreciation | 2019 Net book value | 2018 Net book value |
|----------------------------|-----------------------|-----------------------------|------------------------|------------------------|
| Land | \$ 2,959,441 | \$ - | \$ 2,959,441 | \$ 2,959,441 |
| Construction in progress | 16,085,441 | - | 16,085,441 | 3,131,126 |
| Land improvements | 4,784,551 | 3,841,902 | 942,649 | 1,063,302 |
| Buildings and improvements | 79,958,792 | 22,280,843 | 57,677,949 | 59,325,548 |
| Furniture and equipment | 7,985,527 | 6,804,685 | 1,180,842 | 1,642,612 |
| Transportation equipment | 2,493,611 | 1,614,184 | 879,427 | 1,112,848 |
| | <u>\$ 114,267,363</u> | <u>\$ 34,541,614</u> | <u>\$ 79,725,749</u> | <u>\$ 69,234,877</u> |

Allendale Public Schools

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2019

Long-term Debt

At June 30, 2019, the District had \$123,135,025 in long-term obligations which included \$95,669,223 in outstanding bonds and other debt. The bonded and other debt obligations were decreased during the year, as principal payments were made throughout the year. In addition to the bonded debt, the District has obligations due to its participation in the School Loan Revolving Fund in the amount of \$28,035,029 and compensated absences of \$399,052 at the end of the fiscal year.

Factors Bearing on the District's Future

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

- The uncertainty of student foundation funding levels, as well as funding for other K-12 education programs, reflects the economic difficulties faced by the State of Michigan and the District. One of the most important factors affecting the District's budget is student count. General Fund revenue is generated from the State's per pupil allowance, and a combination of State aid and property taxes. Under State law, the District cannot assess additional property tax revenue for general operations.
- In November, 2018, county voters approved a 0.9 mill enhancement millage where the funds will primarily be used to maintain current academic and extra-curricular offerings, improve mental health and social-emotional learning services district-wide with additional staff, and ongoing upgrades to district safety and security.
- Demographic projections indicate that enrollment is likely to continue growing slowly over the next several years. While this is good news, especially compared to most districts within the State, the lack of stability in the funding stream from the State, and rising costs in many areas including employee health insurance, retirement contribution costs, and utilities, District administration continues to remain diligent in its decision-making as the Board desires to increase its level of reserves (fund balance) that will allow the District to stop the practice of short-term borrowing for cash flow needs. Measures to accomplish this include, but are not limited to, cooperative agreements with the Ottawa Area Intermediate School District as well as neighboring public and parochial schools and strategic changes to how the District handles its non-instructional support services.
- In 2007, Allendale voters approved utilizing the School Bond Loan Fund, (a program created by the Michigan Legislature to assist school districts in bonding for new facilities) to construct new school buildings in order to accommodate the District's growing population of students. New legislation passed in December 2012 obligates school districts to annually review their outstanding debt beginning in the fall of 2013 and levy a millage to ensure that the bond debt will be paid within a newly appointed 30-year period. House Bills 4496 and 4497 were signed into law by Governor Snyder in June 2015 which amended the 2012 legislation allowing the District to refinance \$95 million of outstanding debt saving taxpayers approximately \$25 million of future interest expense. District administration will be working with its financial advisors and bond attorney to determine if continued favorable interest rates will allow future refunding possibilities.

Allendale Public Schools

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2019

- In May, 2017, voters approved a \$29.6 million bond proposal focusing on growth, safety and security, educational technology and building and site improvements. Over \$18.2 million has already been spent on these projects with the remaining funds being spent gradually over the next four years to provide for the continuing needs of the district. The largest project, the Allendale Early Childhood Center, will be open for the 2019-20 school year.

Contacting the District's Financial Management

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report, or need additional information, please contact the Chief Financial Officer at Allendale Public Schools, 10505 Learning Lane, Allendale, MI 49401.

BASIC FINANCIAL STATEMENTS

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

| | Governmental activities |
|---|------------------------------------|
| ASSETS: | |
| Cash and cash equivalents | \$ 2,461,321 |
| Cash and cash equivalents - restricted for capital projects | 5,894,131 |
| Investments | 774,929 |
| Investments - restricted for capital projects | 743,768 |
| Receivables: | |
| Accounts receivable | 10,836 |
| Property taxes receivable | 1,347 |
| Intergovernmental | 4,219,205 |
| Inventories | 5,761 |
| Prepays | 878 |
| Capital assets, not being depreciated | 19,044,882 |
| Capital assets, net of accumulated depreciation | 60,680,867 |
| TOTAL ASSETS | 93,837,925 |
| DEFERRED OUTFLOWS OF RESOURCES: | |
| Deferred charge on refunding | 1,760,657 |
| Related to pensions | 15,388,976 |
| Related to OPEB | 2,311,896 |
| TOTAL DEFERRED OUTFLOWS OF RESOURCES | 19,461,529 |
| LIABILITIES: | |
| Accounts payable | 2,910,708 |
| Accrued salaries and related items | 2,344,035 |
| Accrued retirement | 803,578 |
| Accrued interest | 513,723 |
| Unearned revenue | 66,919 |
| Noncurrent liabilities: | |
| Due within one year | 16,989,918 |
| Due in more than one year | 107,113,386 |
| Net pension liability | 45,824,205 |
| Net OPEB liability | 12,069,060 |
| TOTAL LIABILITIES | 188,635,532 |
| DEFERRED INFLOWS OF RESOURCES: | |
| Related to pensions | 3,959,062 |
| Related to OPEB | 2,965,456 |
| Related to state aid funding for pension | 1,677,334 |
| TOTAL DEFERRED INFLOWS OF RESOURCES | 8,601,852 |
| NET POSITION: | |
| Net investment in capital assets | (36,627,039) |
| Unrestricted | (47,310,891) |
| TOTAL NET POSITION | \$ (83,937,930) |

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

| Functions/programs | Expenses | Program revenues | | Governmental activities |
|---|----------------------|----------------------|---------------------|---|
| | | Charges for services | Operating grants | Net (expense) revenue and changes in net position |
| Governmental activities: | | | | |
| Instruction | \$ 18,421,293 | \$ 36,283 | \$ 6,932,831 | \$ (11,452,179) |
| Support services | 11,020,730 | 231,836 | 83,812 | (10,705,082) |
| Community services | 465,411 | 249,137 | 38,596 | (177,678) |
| Food services | 878,763 | 341,678 | 562,849 | 25,764 |
| Interest on long-term debt | 4,123,107 | - | - | (4,123,107) |
| Unallocated depreciation | 2,568,828 | - | - | (2,568,828) |
| Total governmental activities | <u>\$ 37,478,132</u> | <u>\$ 858,934</u> | <u>\$ 7,618,088</u> | <u>(29,001,110)</u> |
| General revenues: | | | | |
| Property taxes, levied for general purposes | | | | 4,186,917 |
| Property taxes, levied for debt service | | | | 6,901,057 |
| Investment earnings | | | | 453,775 |
| State sources, unrestricted | | | | 17,140,199 |
| Other | | | | 126,243 |
| Total general revenues | | | | <u>28,808,191</u> |
| CHANGE IN NET POSITION | | | | <u>(192,919)</u> |
| NET POSITION, beginning of year | | | | <u>(83,745,011)</u> |
| NET POSITION, end of year | | | | <u><u>\$ (83,937,930)</u></u> |

See notes to financial statements.

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

| | General fund | 2017 Building and site bonds | 2015 (B) Refunding debt fund | Total nonmajor funds | Total governmental funds |
|--|---------------------|---------------------------------|------------------------------------|-------------------------|--------------------------------|
| ASSETS: | | | | | |
| Cash and cash equivalents | \$ 2,009,377 | \$ - | \$ 66,026 | \$ 385,918 | \$ 2,461,321 |
| Cash and cash equivalents - restricted | - | 5,894,131 | - | - | 5,894,131 |
| Investments | - | - | - | 774,929 | 774,929 |
| Investments - restricted | - | 743,768 | - | - | 743,768 |
| Receivables: | | | | | |
| Property taxes receivable | 417 | - | 834 | 96 | 1,347 |
| Accounts receivable | 10,836 | - | - | - | 10,836 |
| Intergovernmental | 4,168,262 | - | - | 50,943 | 4,219,205 |
| Due from other funds | 42,795 | 8,148 | - | 100,000 | 150,943 |
| Inventories | - | - | - | 5,761 | 5,761 |
| Prepays | 878 | - | - | - | 878 |
| TOTAL ASSETS | \$ 6,232,565 | \$ 6,646,047 | \$ 66,860 | \$ 1,317,647 | \$ 14,263,119 |
| LIABILITIES AND FUND BALANCES | | | | | |
| LIABILITIES: | | | | | |
| Accounts payable | \$ 862,269 | \$ 2,023,519 | \$ 789 | \$ 10,407 | \$ 2,896,984 |
| Accrued salaries and related items | 2,340,124 | - | - | 3,911 | 2,344,035 |
| Accrued retirement | 792,749 | - | - | 10,829 | 803,578 |
| Due to other funds | 108,393 | - | - | 42,550 | 150,943 |
| Due to agency funds | 13,724 | - | - | - | 13,724 |
| Unearned revenue | 50,576 | - | - | 16,343 | 66,919 |
| TOTAL LIABILITIES | 4,167,835 | 2,023,519 | 789 | 84,040 | 6,276,183 |

See notes to financial statements.

| | General fund | 2017 Building and site bonds | 2015 (B) Refunding debt fund | Total nonmajor funds | Total governmental funds |
|---|---------------------|---------------------------------|------------------------------------|-------------------------|--------------------------------|
| FUND BALANCES: | | | | | |
| Nonspendable: | | | | | |
| Inventories | \$ - | \$ - | \$ - | \$ 5,761 | \$ 5,761 |
| Prepays | 878 | - | - | - | 878 |
| Restricted for: | | | | | |
| Capital projects | - | 4,622,528 | - | - | 4,622,528 |
| Debt service | - | - | 66,071 | 78,553 | 144,624 |
| Food service | - | - | - | 274,364 | 274,364 |
| Assigned: | | | | | |
| Capital projects | - | - | - | 874,929 | 874,929 |
| Unassigned | 2,063,852 | - | - | - | 2,063,852 |
| TOTAL FUND BALANCES | <u>2,064,730</u> | <u>4,622,528</u> | <u>66,071</u> | <u>1,233,607</u> | <u>7,986,936</u> |
| TOTAL LIABILITIES AND FUND BALANCES | <u>\$ 6,232,565</u> | <u>\$ 6,646,047</u> | <u>\$ 66,860</u> | <u>\$ 1,317,647</u> | <u>\$ 14,263,119</u> |
| Total governmental fund balances | | | | | \$ 7,986,936 |
| Amounts reported for governmental activities in the statement of net position are different because: | | | | | |
| Value of amortized deferred charges | | | | \$ 2,197,126 | |
| Accumulated amortization: | | | | (436,469) | |
| Deferred charge on refunding, net of amortization | | | | | 1,760,657 |
| Deferred outflows of resources - related to pensions | | | | | 15,388,976 |
| Deferred outflows of resources - related to OPEB | | | | | 2,311,896 |
| Deferred inflows of resources - related to pensions | | | | | (3,959,062) |
| Deferred inflows of resources - related to OPEB | | | | | (2,965,456) |
| Deferred inflows of resources - related to state pension funding | | | | | (1,677,334) |
| Capital assets used in governmental activities are not financial resources and are not reported in the funds: | | | | | |
| The cost of the capital assets is | | | | 114,267,363 | |
| Accumulated depreciation is | | | | (34,541,614) | |
| | | | | | 79,725,749 |
| Long-term liabilities are not due and payable in the current period and are not reported in the funds: | | | | | |
| Long-term obligations | | | | | (123,704,252) |
| Net pension liability | | | | | (45,824,205) |
| Net OPEB liability | | | | | (12,069,060) |
| Accrued compensated absences and termination benefits | | | | | (399,052) |
| Accrued interest is not included as a liability in governmental funds, it is recorded when paid | | | | | (513,723) |
| Net position of governmental activities | | | | | <u>\$ (83,937,930)</u> |

See notes to financial statements.

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

| | General fund | 2017 Building and site bonds | 2015 (B) Refunding debt fund | Total nonmajor funds | Total governmental funds |
|---------------------------------|---------------------|---|---|---------------------------------|---|
| REVENUES: | | | | | |
| Local sources: | | | | | |
| Property taxes | \$ 4,186,917 | \$ - | \$ 5,521,982 | \$ 1,379,075 | \$ 11,087,974 |
| Tuition | 312,602 | - | - | - | 312,602 |
| Investment earnings | 52,612 | 352,295 | 24,517 | 24,351 | 453,775 |
| Food sales | - | - | - | 341,678 | 341,678 |
| Other | 240,987 | - | - | - | 240,987 |
| Total local sources | 4,793,118 | 352,295 | 5,546,499 | 1,745,104 | 12,437,016 |
| State sources | 20,881,608 | - | 83,560 | 94,434 | 21,059,602 |
| Federal sources | 752,997 | - | - | 489,242 | 1,242,239 |
| Interdistrict sources and other | 2,634,997 | - | - | - | 2,634,997 |
| Total revenues | 29,062,720 | 352,295 | 5,630,059 | 2,328,780 | 37,373,854 |
| EXPENDITURES: | | | | | |
| Current: | | | | | |
| Instruction | 17,426,786 | - | - | - | 17,426,786 |
| Supporting services | 10,443,129 | - | - | - | 10,443,129 |
| Community service activities | 453,846 | - | - | - | 453,846 |
| Food service activities | - | - | - | 852,777 | 852,777 |
| Capital outlay | - | 13,418,989 | - | 28,584 | 13,447,573 |

See notes to financial statements.

| | | | 2015 (B) | | |
|--|--------------|---------------------------------|------------------------|-------------------------|--------------------------------|
| | General fund | 2017 Building and site bonds | Refunding debt fund | Total nonmajor funds | Total governmental funds |
| EXPENDITURES (Concluded): | | | | | |
| Debt service: | | | | | |
| Principal repayment | \$ - | \$ - | \$ 13,995,000 | \$ 790,000 | \$ 14,785,000 |
| Interest | - | - | 701,241 | 2,873,102 | 3,574,343 |
| Other | - | 12,390 | 2,489 | 4,923 | 19,802 |
| Total expenditures | 28,323,761 | 13,431,379 | 14,698,730 | 4,549,386 | 61,003,256 |
| EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES | 738,959 | (13,079,084) | (9,068,671) | (2,220,606) | (23,629,402) |
| OTHER FINANCING SOURCES (USES): | | | | | |
| Proceeds from school loan revolving fund | - | - | 9,130,767 | 2,275,883 | 11,406,650 |
| Transfers in | 37,000 | - | - | 310,000 | 347,000 |
| Transfers out | (310,000) | - | - | (37,000) | (347,000) |
| Total other financing sources (uses) | (273,000) | - | 9,130,767 | 2,548,883 | 11,406,650 |
| NET CHANGE IN FUND BALANCES | 465,959 | (13,079,084) | 62,096 | 328,277 | (12,222,752) |
| FUND BALANCES: | | | | | |
| Beginning of year | 1,598,771 | 17,701,612 | 3,975 | 905,330 | 20,209,688 |
| End of year | \$ 2,064,730 | \$ 4,622,528 | \$ 66,071 | \$ 1,233,607 | \$ 7,986,936 |

See notes to financial statements.

ALLENDALE PUBLIC SCHOOLS
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2019

| | |
|---|---------------------|
| Net change in fund balances total governmental funds | \$ (12,222,752) |
| Amounts reported for governmental activities in the statement of activities are different because: | |
| Governmental funds report capital outlays as expenditures. In the statement of activities these costs are allocated over their estimated useful lives as depreciation: | |
| Depreciation expense | (2,568,828) |
| Capital outlay | 13,059,700 |
| Accrued interest on bonds is recorded in the statement of activities when incurred; it is not recorded in governmental funds until it is paid: | |
| Accrued interest payable, beginning of the year | 571,655 |
| Accrued interest payable, end of the year | (513,723) |
| The issuance of long-term debt (e.g., bonds) provides current financial resources to governmental funds, while the repayment of principal of long-term debt consumes current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. The effect of these differences in the treatment of long-term debt and related items are as follows: | |
| Proceeds from issuance of school loan revolving fund | (11,406,650) |
| Payments on general obligation bonds | 14,785,000 |
| Long-term accrued interest on school loan revolving fund | (606,696) |
| Amortization of deferred loss on refunding | (122,978) |
| Amortization of bond premium | 452,411 |
| Compensated absences and termination benefits are reported on the accrual method in the statement of activities, and recorded as an expenditure when financial resources are used in the governmental funds: | |
| Accrued compensated absences and termination benefits, beginning of the year | 417,853 |
| Accrued compensated absences and termination benefits, end of the year | (399,052) |
| Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds: | |
| Pension related items | (1,989,404) |
| OPEB related items | 439,186 |
| Restricted revenue reported in the governmental funds that is deferred to offset the deferred outflows related to section 147c pension contributions subsequent to the measurement period: | |
| State aid funding for pension, beginning of year | 1,588,693 |
| State aid funding for pension, end of year | (1,677,334) |
| Change in net position of governmental activities | \$ (192,919) |

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

| | <u>Agency fund</u> |
|---------------------------------|---------------------------|
| ASSETS: | |
| Cash and cash equivalents | \$ 256,723 |
| Investments | 773 |
| Due from other funds | <u>13,724</u> |
| TOTAL ASSETS | <u><u>\$ 271,220</u></u> |
| LIABILITIES: | |
| Accounts payable | \$ 13,638 |
| Due to student and other groups | <u>257,582</u> |
| TOTAL LIABILITIES | <u><u>\$ 271,220</u></u> |

**ALLENDALE PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of Government-wide Financial Statements

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

B. Reporting Entity

Allendale Public Schools (the “District”) is governed by the Allendale Public Schools Board of Education (the “Board”), which has responsibility and control over all activities related to public school education within the District. The District receives funding from local, state, and federal sources and must comply with all of the requirements of these funding source entities. However, the District is not included in any other governmental reporting entity as defined by the accounting principles generally accepted in the United States of America. Board members are elected by the public and have decision-making authority, the power to designate management, the ability to significantly influence operations, and the primary accountability for fiscal matters. In addition, the District’s reporting entity does not contain any component units as defined in Governmental Accounting Standards Board (GASB) Statements.

C. Basis of Presentation - Government-wide Financial Statements

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

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

D. Basis of Presentation - Fund Financial Statements

The fund financial statements provide information about the District’s funds, including its fiduciary funds. Separate statements for each fund category - governmental and fiduciary - are presented. The emphasis of fund financial statements is on major governmental funds. All remaining governmental funds are aggregated and reported as nonmajor funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

**ALLENDALE PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

The District reports the following major governmental funds:

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

The *2017 building and site fund* accounts for revenues and expenditures that have been restricted for school building and site purposes throughout the District.

The *2015(B) refunding debt fund* accounts for resources accumulated and payments made for principal and interest on the 2015(B) refunding bond.

The capital projects funds include capital project activities funded by bonds issued after May 1, 1994. For these capital projects, the District has complied with the applicable provisions of section 1351a of the Revised School Code.

The following is a summary of the cumulative revenue and expenditures for the 2017 school bonds' activity:

| | |
|--------------|----------------------|
| | <u>2017 Bonds</u> |
| Revenue | <u>\$ 22,792,440</u> |
| Expenditures | <u>\$ 18,169,912</u> |

The above revenue figures include original 2017 school bond proceeds of \$22,319,910.

Other nonmajor funds

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

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

The *capital projects fund* accounts for revenues and expenditures that have been assigned for capital projects and curriculum expenditures throughout the District.

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

**ALLENDALE PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Other nonmajor funds (Concluded)

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

During the course of operations, the District has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds and advances to/from other funds. While these balances are reported in fund financial statements, they are eliminated in the preparation of the government-wide financial statements.

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, they are eliminated in the preparation of the government-wide financial statements.

E. Measurement Focus and Basis of Accounting

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

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

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

**ALLENDALE PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Measurement Focus and Basis of Accounting (Concluded)

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

Property taxes, state and federal aid, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year-end).

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

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

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

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

**ALLENDALE PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Budgetary Information

Budgetary basis of accounting:

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the general fund and special revenue fund. The capital projects fund is appropriated on a project-length basis. Other funds do not have appropriated budgets.

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

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

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

**ALLENDALE PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

1. Cash and cash equivalents

The District's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of 3 months or less from the date of acquisition.

2. Investments

Certain investments are valued at fair value as determined by quoted market prices, or by estimated fair values when quoted market prices are not available. Standards also provide that certain investments are valued at cost (or amortized cost) when they are of a short-term duration, the rate of return is fixed, and the District intends to hold the investment until maturity.

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

3. Inventories and prepaid items

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

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

**ALLENDALE PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

4. Capital assets

Capital assets, which include property, plant, equipment, and transportation vehicles, are reported in the government-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of 2 years. Group purchases are evaluated on a case by case basis. Donated capital assets are recorded at their estimated acquisition value at the date of donation.

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

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

| <u>Capital asset classes</u> | <u>Lives</u> |
|------------------------------|---------------|
| Land improvements | 10 - 20 years |
| Buildings and improvements | 40 - 50 years |
| Transportation equipment | 5 - 10 years |
| Furniture and equipment | 3 - 10 years |

5. Defined benefit plans

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

**ALLENDALE PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

6. Deferred outflows

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. The District has three items that qualify for reporting in this category. They are the deferred charge on refunding, and pension and other postemployment benefits related items reported in the government-wide statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. A deferred outflow is recognized for pension and other postemployment benefit related items. These amounts are expensed in the plan year in which they apply.

7. Deferred inflows

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The District has three items that qualify for reporting in this category. The first is restricted section 147c state aid deferred to offset deferred outflows related to section 147c pension contributions subsequent to the measurement period. The second and third items are future resources yet to be recognized in relation to the pension and other postemployment benefit actuarial calculation. These future resources arise from differences in the estimates used by the actuary to calculate the pension and other postemployment benefit liability and the actual results. The amounts are amortized over a period determined by the actuary.

8. Net position flow assumption

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

**ALLEDALE PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

8. Net position flow assumption (Concluded)

In the computation of net invested in capital assets, school loan revolving fund principal proceeds of \$27,066,750 are considered capital-related debt. Accrued interest on the school loan revolving fund of \$968,279 has been included in the calculation of unrestricted net position.

9. Fund balance flow assumptions

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

10. Fund balance policies

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

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

**ALLENDALE PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

10. Fund balance policies (Concluded)

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

H. Revenues and Expenditures/Expenses

1. Program revenues

Amounts reported as *program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment, and 2) grants and contributions that are restricted to meeting the operational requirements of a particular function or segment. All taxes, including those dedicated for specific purposes, unrestricted state aid, interest, and other internally dedicated resources are reported as general revenues rather than as program revenues.

2. Property taxes

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

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

| Fund | Mills |
|--|---------|
| General fund: | |
| Non-Principal Residence Exemption (PRE) | 18.0000 |
| Commercial Personal Property | 6.0000 |
| Debt service fund: | |
| PRE, Non-PRE, Commercial Personal Property | 12.0000 |

**ALLENDALE PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Concluded)

H. Revenues and Expenditures/Expenses (Concluded)

3. Compensated absences

The District's policy permits employees to accumulate earned but unused vacation and sick leave benefits, which are eligible for payment upon separation from service. The liability for such leave is reported as incurred in the government-wide financial statements. A liability for those amounts is recorded in the governmental funds only if the liability has matured as a result of employee resignation or retirement. The liability for compensated absences includes salary and related benefits, where applicable.

4. Long-term obligations

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

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

NOTE 2 - DEPOSITS AND INVESTMENTS

| Investment type | Fair value | Weighted average maturity (years) | Rating | % |
|--|---------------------|--|---------------|---------------|
| Michigan Liquid Asset Fund - MAX Class | \$ 355,443 | 0.0027 | AAAm | 13.6% |
| Michigan CLASS - pooled short term investments | 1,514,731 | 0.0027 | AAAm | 57.9% |
| Fixed income securities | 743,768 | 0.0575 | AAAm | 28.5% |
| Total fair value | <u>\$ 2,613,942</u> | | | <u>100.0%</u> |
| Portfolio weighted average maturity | | <u>0.1833</u> | | |

1 day maturity equals 0.0027, one year equals 1.00

**ALLENDALE PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 2 - DEPOSITS AND INVESTMENTS (Continued)

The District voluntarily invests certain excess funds in external pooled investment funds which included money market funds. One of the pooled investment funds utilized by the District is the Michigan Investment Liquid Asset Fund (MILAF). MILAF is an external pooled investment fund of “qualified” investments for Michigan school districts. MILAF is not regulated nor is it registered with the SEC. MILAF reports as of June 30, 2019, the fair value of the District’s investments is the same as the value of the pool shares.

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

Michigan Class is a local government investment pool investment fund of “qualified” investments for Michigan school districts. This fund is recorded at fair value and is subject to the fair value disclosures. Michigan Class is not regulated nor is it registered with the SEC and reports as of June 30, 2019, the fair value of the District’s investments as the same as the value of the pooled shares.

The other funds are invested in fixed income securities. These funds are recorded at fair value and are subject to the fair value disclosure.

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

Credit risk. State law limits investments in commercial paper and corporate bonds to a prime or better rating issued by nationally recognized statistical rating organizations (NRSROs). As of June 30, 2019, the District had investments with Huntington National Bank that included corporate bonds.

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

Custodial credit risk - deposits. In the case of deposits, there is the risk that in the event of a bank failure, the District’s deposits may not be returned to it. As of June 30, 2019, \$7,633,870 of the District’s bank balance of \$8,033,091 was exposed to custodial credit risk because it was uninsured and uncollateralized. The carrying amount on the financial statements is \$7,517,701.

ALLENDALE PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS

NOTE 2 - DEPOSITS AND INVESTMENTS (Continued)

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

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

Fair value measurement. The District is required to disclose amounts within a framework established for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described as follows:

Level 1: Quoted prices in active markets for identical securities.

Level 2: Prices determined using other significant observable inputs. Observable inputs are inputs that other market participants may use in pricing a security. These may include prices for similar securities, interest rates, prepayment speeds, credit risk and others.

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

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The District's fixed income securities and Michigan Class investments subject to the fair value measurement are Level 2 investments.

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

**ALLENDALE PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 2 - DEPOSITS AND INVESTMENTS (Concluded)

At June 30, 2019, the carrying amount is as follows:

| | |
|---|----------------------|
| Deposits - including fiduciary funds of \$256,723 | \$ 7,517,703 |
| Investments - including fiduciary funds of \$773 | 2,613,942 |
| | <u>\$ 10,131,645</u> |

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

| | |
|--|----------------------|
| Fiduciary fund: | |
| Cash and cash equivalents | \$ 256,723 |
| Investments | 773 |
| Government-wide: | |
| Cash and cash equivalents | 2,461,321 |
| Cash and cash equivalents - restricted | 5,894,131 |
| Investments | 774,929 |
| Investments - restricted | 743,768 |
| | <u>\$ 10,131,645</u> |

NOTE 3 - CAPITAL ASSETS

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

| | Balance July 1, 2018 | Additions | Deletions/ reclassification | Balance June 30, 2019 |
|--|-------------------------|----------------------|--------------------------------|--------------------------|
| Governmental activities: | | | | |
| Capital assets, not being depreciated: | | | | |
| Land | \$ 2,959,441 | \$ - | \$ - | \$ 2,959,441 |
| Construction in progress | 3,131,126 | 12,954,315 | - | 16,085,441 |
| Total capital assets not being depreciated | 6,090,567 | 12,954,315 | - | 19,044,882 |
| Capital assets, being depreciated: | | | | |
| Land improvements | 4,784,551 | - | - | 4,784,551 |
| Buildings and improvements | 79,958,792 | - | - | 79,958,792 |
| Furniture and equipment | 7,880,142 | 105,385 | - | 7,985,527 |
| Transportation equipment | 2,545,369 | - | 51,758 | 2,493,611 |
| Total capital assets, being depreciated | 95,168,854 | 105,385 | 51,758 | 95,222,481 |
| Accumulated depreciation: | | | | |
| Land improvements | 3,721,249 | 120,653 | - | 3,841,902 |
| Buildings and improvements | 20,633,244 | 1,647,599 | - | 22,280,843 |
| Furniture and equipment | 6,237,530 | 567,155 | - | 6,804,685 |
| Transportation equipment | 1,432,521 | 233,421 | 51,758 | 1,614,184 |
| Total accumulated depreciation | 32,024,544 | 2,568,828 | 51,758 | 34,541,614 |
| Net capital assets being depreciated | 63,144,310 | (2,463,443) | - | 60,680,867 |
| Net governmental capital assets | <u>\$ 69,234,877</u> | <u>\$ 10,490,872</u> | <u>\$ -</u> | <u>\$ 79,725,749</u> |

**ALLENDALE PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 3 - CAPITAL ASSETS (Concluded)

Depreciation expense for the fiscal year ended June 30, 2019 amounted to \$2,568,828 and was unallocated.

NOTE 4 - INTERGOVERNMENTAL RECEIVABLES

Receivables at June 30, 2019 consist of the following:

| | Governmental funds |
|---------------------------|-----------------------|
| Other governmental units: | |
| State aid | \$ 3,869,068 |
| Federal revenue | 320,125 |
| ISD and other | 30,012 |
| | <u>\$ 4,219,205</u> |

Amounts reported in intergovernmental receivables include amounts due from federal, state and local sources for various projects and programs. No allowance for doubtful accounts is considered necessary.

**ALLENDALE PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 5 - LONG-TERM OBLIGATIONS

The District issues general obligation bonds to provide funds for the acquisition, construction and improvement of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the District.

The following is a summary of long-term obligations for the District for the year ended June 30, 2019:

| | General obligation bonds | Notes from direct borrowings and direct placements | Accrued compensated absences and termination benefits | Total |
|------------------------|--------------------------------|--|---|----------------|
| Balance, July 1, 2018 | \$ 110,906,634 | \$ 16,021,683 | \$ 417,853 | \$ 127,346,170 |
| Additions | - | 12,013,346 | - | 12,013,346 |
| Deletions | (15,237,411) | - | (18,801) | (15,256,212) |
| Balance, June 30, 2019 | 95,669,223 | 28,035,029 | 399,052 | 124,103,304 |
| Due in one year | 16,970,000 | - | 19,918 | 16,989,918 |
| Due in more than year | \$ 78,699,223 | \$ 28,035,029 | \$ 379,134 | \$ 107,113,386 |

Borrowing from the State of Michigan - The school loan revolving fund payable represents notes payable to the State of Michigan for loans made to the school district, as authorized by the State of Michigan Constitution, for the purpose of paying principal and interest on general obligation bonds of the school district issued for capital expenditures. Interest rates are to be annually determined by the State Administrative Board. Interest rates of 3.44% for the School Loan Revolving Fund notes have been assessed for the year ended June 30, 2019. Repayment is required when the millage rate necessary to cover the annual bonded debt services falls below 12.00 mills. The school district is required to levy 12.00 mills and repay to the state any excess of the amount levied over the bonded debt service requirements. The District currently levies 12.00 debt mills. Due to the variability of the factors that affect the timing of repayment, including the future amount of state-equalized value of property in the school district, no provision for repayment has been included in the following amortization schedule. The State may apply a default late charge on the note if the District does not make the repayments, or apply the default late charge if the District fails to levy the appropriate debt mills. The state may also withhold state aid payments if the District is in default.

**ALLENDALE PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 5 - LONG-TERM OBLIGATIONS (Continued)

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

General obligation bonds:

| | |
|--|------------------|
| 2015 Series A refunding bonds due in annual installments of \$810,000 to \$1,540,000 through May 1, 2025 with interest from 3.00% to 4.00%. | \$ 6,110,000 |
| 2015 Series B SLRF refunding bonds due in semiannual installments of \$2,820,000 to \$13,280,000 through May 1, 2020 with interest from 2.423% to 2.573%. | 16,100,000 |
| 2016 Refunding bonds due in annual and semiannual installments ranging from \$100,000 to \$10,300,000 through May 1, 2037 with interest from 2.00% to 5.00%. | 36,760,000 |
| 2017 Bonds due in semiannual installments ranging from \$210,000 to \$575,000 through May 1, 2047 with interest from 3.00% to 4.00%. | 20,245,000 |
| 2017 Refunding bonds due in one installment on May 1, 2021 with interest of 1.85%. | 9,745,000 |
| Plus premium on bond refunding | <u>6,709,223</u> |
| Total general obligation bonds | 95,669,223 |

Notes from direct borrowings and direct placements:

| | |
|--|------------------------------|
| Borrowing from the State of Michigan under the School Loan Revolving Fund, including interest at 3.44% at June 30, 2019. | <u>28,035,029</u> |
| Total general obligation bonds and notes from direct borrowings and direct placements | 123,704,252 |
| Accumulated compensated absences and termination benefits | <u>399,052</u> |
| Total long-term debt obligations | <u><u>\$ 124,103,304</u></u> |

**ALLEDALE PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 5 - LONG-TERM OBLIGATIONS (Concluded)

In prior years, the District defeased certain general obligation bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account, assets and liabilities for the defeased bonds are not included in the District's financial statements. At June 30, 2019, \$64,715,000 bonds outstanding are considered defeased.

The annual requirements to amortize debt outstanding as of June 30, 2019, including interest payments of \$21,542,011 are as follows:

| Year ending June 30, | General obligation bonds | | Notes from direct borrowings and direct placements | | Compensated absences and termination benefits | Total |
|--|--------------------------|----------------------|--|-------------------|--|-----------------------|
| | Principal | Interest | Principal | Interest | | |
| 2020 | \$ 16,970,000 | \$ 3,217,360 | \$ - | \$ - | \$ - | \$ 20,187,360 |
| 2021 | 11,265,000 | 2,778,751 | - | - | - | 14,043,751 |
| 2022 | 13,895,000 | 2,538,394 | - | - | - | 16,433,394 |
| 2023 | 14,700,000 | 1,892,419 | - | - | - | 16,592,419 |
| 2024 | 2,670,000 | 1,222,469 | - | - | - | 3,892,469 |
| 2025 - 2029 | 14,165,000 | 4,315,244 | - | - | - | 18,480,244 |
| 2030 - 2034 | 4,425,000 | 2,164,794 | - | - | - | 6,589,794 |
| 2035 - 2039 | 4,245,000 | 1,512,657 | - | - | - | 5,757,657 |
| 2040 - 2044 | 4,450,000 | 807,569 | - | - | - | 5,257,569 |
| 2045 - 2047 | 2,175,000 | 124,075 | - | - | - | 2,299,075 |
| | 88,960,000 | 20,573,732 | - | - | - | 109,533,732 |
| Premium on bond refunding | 6,709,223 | - | - | - | - | 6,709,223 |
| School loan revolving fund | - | - | 27,066,750 | 968,279 | - | 28,035,029 |
| Accumulated compensated absences and termination benefits | - | - | - | - | 399,052 | 399,052 |
| | <u>\$ 95,669,223</u> | <u>\$ 20,573,732</u> | <u>\$ 27,066,750</u> | <u>\$ 968,279</u> | <u>\$ 399,052</u> | <u>\$ 144,677,036</u> |

Interest expense (all funds) for the year ended June 30, 2019 was approximately \$4,100,000.

NOTE 6 - INTERFUND RECEIVABLES AND PAYABLES

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

| Receivable fund | | Payable fund | |
|------------------------------|-------------------|-------------------|-------------------|
| Capital projects fund | \$ 100,000 | General fund | \$ 108,393 |
| General fund | 42,795 | Food service fund | 42,550 |
| 2017 Building and site bonds | 8,148 | | |
| | <u>\$ 150,943</u> | | <u>\$ 150,943</u> |

**ALLENDALE PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 6 - INTERFUND RECEIVABLES AND PAYABLES (Concluded)

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

NOTE 7 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS

Plan Description

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

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

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

Benefits Provided - Overall

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

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

**ALLENDALE PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 7 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (Continued)

Benefits Provided - Pension

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

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

Pension Reform 2010

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

Pension Reform 2012

On September 4, 2012, the Governor signed Public Act 300 of 2012 into law. The legislation grants all active members who first became a member before July 1, 2010 and who earned service credit in the 12 months ending September 3, 2012, or were on an approved professional services or military leave of absence on September 3, 2012, a voluntary election regarding their pension. Any changes to a member's pension are effective as of the member's *transition date*, which is defined as the first day of the pay period that begins on or after February 1, 2013.

Under the reform, members voluntarily chose to increase, maintain, or stop their contributions to the pension fund.

**ALLENDALE PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 7 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (Continued)

Pension Reform 2012 (Continued)

An amount determined by the member's election of Option 1, 2, 3, or 4 described below:

Option 1 - Members voluntarily elected to increase their contributions to the pension fund as noted below, and retain the 1.5% pension factor in their pension formula. The increased contribution would begin as of their transition date and continue until they terminate public school employment.

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

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

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

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

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

**ALLENDALE PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 7 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (Continued)

Pension Reform 2012 (Concluded)

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

Final Average Compensation (FAC) - Average of highest 60 consecutive months for Basic Plan members and Pension Plus members (36 months for MIP members). FAC is calculated as of the last day worked unless the member elected Option 4, in which case the FAC is calculated at the transition date.

Pension Reform of 2017

On July 13, 2017, the Governor signed Public Act 92 of 2017 into law. The legislation closes the current hybrid plan (Pension Plus) to newly hired employees as of February 1, 2018 and creates a new optional revised hybrid plan with similar plan benefit calculations but containing a 50/50 cost share between the employee and the employer, including the cost of future unfunded liabilities. The assumed rate of return on the new hybrid plan is 6%. Further, the law provides that, under certain conditions, the new hybrid plan would close to new employees if the actuarial funded ratio falls below 85% for two consecutive years. The law includes other provisions to the retirement eligibility age, plan assumptions, and unfunded liability payment methods.

Benefits Provided - Other Postemployment Benefit (OPEB)

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

**ALLENDALE PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 7 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (Continued)

Retiree Healthcare Reform of 2012

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

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

Regular Retirement (no reduction factor for age)

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

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

Member Contributions

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

Employer Contributions

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

**ALLENDALE PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 7 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (Continued)

Employer Contributions (Concluded)

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

For retirement and OPEB benefits, the unfunded (overfunded) actuarial accrued liability as of September 30, 2017 valuation will be amortized over a 21-year period beginning October 1, 2017 and ending September 30, 2038.

School districts' contributions are determined based on employee elections. There are several different benefit options included in the plan available to employees based on date of hire. Contribution rates are adjusted annually by the ORS. The range of rates is as follows:

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

The District's pension contributions for the year ended June 30, 2019 were equal to the required contribution total. Pension contributions were approximately \$4,183,000, with \$4,091,000 specifically for the Defined Benefit Plan.

The District's OPEB contributions for the year ended June 30, 2019 were equal to the required contribution total. OPEB benefits were approximately \$1,220,000, with \$1,152,000 specifically for the Defined Benefit Plan.

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

**ALLENDALE PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 7 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (Continued)

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

Pension Liabilities

At June 30, 2019, the District reported a liability of \$45,824,205 for its proportionate share of the net pension liability. The net pension liability was measured as of September 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation date of September 30, 2017 and rolled-forward using generally accepted actuarial procedures. The District's proportion of the net pension liability was based on a projection of its long-term share of contributions to the pension plan relative to the projected contributions of all participating reporting units, actuarially determined. At September 30, 2018 and 2017, the District's proportion was 0.15243% and 0.15425%.

| <u>MPERS (Plan) Non-university employers</u> | <u>September 30, 2018</u> | <u>September 30, 2017</u> |
|--|---------------------------|---------------------------|
| Total pension liability | \$ 79,863,694,444 | \$ 72,407,218,688 |
| Plan fiduciary net position | \$ 49,801,889,205 | \$ 46,492,967,573 |
| Net pension liability | \$ 30,061,805,239 | \$ 25,914,251,115 |
| Proportionate share | 0.15243% | 0.15425% |
| Net pension liability for the District | \$ 45,824,205 | \$ 39,972,681 |

**ALLENDALE PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 7 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (Continued)

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

For the year ended June 30, 2019, the District recognized pension expense of \$6,080,000.

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

| | Deferred outflows of resources | Deferred inflows of resources |
|--|--------------------------------------|-------------------------------------|
| Changes of assumptions | \$ 10,612,848 | \$ - |
| Net difference between projected and actual plan investments earnings | - | 3,133,211 |
| Changes in proportion and differences between employer contributions and proportionate share of contributions | 746,493 | 492,854 |
| Differences between expected and actual experience | 212,633 | 332,997 |
| Reporting Unit's contributions subsequent to the measurement date | 3,817,002 | - |
| | <u>\$ 15,388,976</u> | <u>\$ 3,959,062</u> |

\$3,817,002, reported as deferred outflows of resources related to pensions resulting from District employer contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the subsequent fiscal year.

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

| Year ended September 30, | Amount |
|--------------------------|--------------|
| 2019 | \$ 3,321,821 |
| 2020 | 2,296,431 |
| 2021 | 1,440,993 |
| 2022 | 553,667 |

**ALLENDALE PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 7 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (Continued)

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

OPEB Liabilities

At June 30, 2019, the District reported a liability of \$12,069,060 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of September 30, 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation date of September 30, 2017 and rolled-forward using generally accepted actuarial procedures. The District's proportion of the net OPEB liability was based on a projection of its long-term share of contributions to the OPEB plan relative to the projected contributions of all participating reporting units, actuarially determined. At September 30, 2018 and 2017, the District's proportion was 0.15183% and 0.15473%.

| <u>MPERS (Plan) Non-university employers</u> | <u>September 30, 2018</u> | <u>September 30, 2017</u> |
|--|---------------------------|---------------------------|
| Total OPEB liability | \$ 13,932,170,264 | \$ 13,920,945,991 |
| Plan fiduciary net position | \$ 5,983,218,473 | \$ 5,065,474,948 |
| Net OPEB liability | \$ 7,948,951,791 | \$ 8,855,471,043 |
| Proportionate share | 0.15183% | 0.15473% |
| Net OPEB liability for the District | \$ 12,069,060 | \$ 13,702,435 |

**ALLENDALE PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 7 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (Continued)

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

For the year ended June 30, 2019, the District recognized OPEB expense of \$712,000.

At June 30, 2019, the Reporting Unit 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 |
|--|--------------------------------------|-------------------------------------|
| Changes of assumptions | \$ 1,278,120 | \$ - |
| Net difference between projected and actual plan investments earnings | - | 463,843 |
| Changes in proportion and differences between employer contributions and proportionate share of contributions | 3,735 | 255,251 |
| Differences between expected and actual experience | - | 2,246,362 |
| Reporting Unit's contributions subsequent to the measurement date | 1,030,041 | - |
| | <u>\$ 2,311,896</u> | <u>\$ 2,965,456</u> |

\$1,030,041, reported as deferred outflows of resources related to OPEB resulting from District employer contributions subsequent to the measurement date, will be recognized as a reduction of the net OPEB liability in the subsequent fiscal year.

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

| Year ended September 30, | Amount |
|--------------------------|--------------|
| 2019 | \$ (408,060) |
| 2020 | (408,060) |
| 2021 | (408,060) |
| 2022 | (313,959) |
| 2023 | (145,462) |

**ALLENDALE PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 7 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (Continued)

Actuarial Assumptions

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

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

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

Inflation - 3.0%.

Mortality assumptions:

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

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

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

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

The long-term expected rate of return on pension and other postemployment benefit plan investments - The pension rate was 7.05% (7% Pension Plus Plan), and the other postemployment benefit rate was 7.15%, net of investment and administrative expenses was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

Cost of living pension adjustments - 3.0% annual non-compounded for MIP members.

Healthcare cost trend rate for other postemployment benefit - 7.5% for year one and graded to 3.0% in year twelve.

**ALLENDALE PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 7 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (Continued)

Actuarial Assumptions (Continued)

Additional assumptions for other postemployment benefit only - applies to individuals hired before September 4, 2012:

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

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

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

The target asset allocation at September 30, 2018 and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

| <u>Investment category</u> | <u>Target allocation</u> | <u>Long-term expected real rate of return*</u> |
|--------------------------------------|------------------------------|--|
| Domestic Equity Pools | 28.00% | 5.70% |
| Private Equity Pools | 18.00% | 9.20% |
| International Equity Pools | 16.00% | 7.20% |
| Fixed Income Pools | 10.50% | 0.50% |
| Real Estate and Infrastructure Pools | 10.00% | 3.90% |
| Absolute Return Pools | 15.50% | 5.20% |
| Short-Term Investment Pools | 2.00% | 0.00% |
| | <u>100.00%</u> | |

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

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

**ALLENDALE PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 7 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (Continued)

Actuarial Assumptions (Continued)

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

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

| | Pension | | |
|---|----------------------|----------------------|----------------------|
| | 1% Decrease | Discount rate | 1% Increase |
| Reporting Unit's proportionate share of the net pension liability | <u>\$ 60,163,642</u> | <u>\$ 45,824,205</u> | <u>\$ 33,910,464</u> |

Sensitivity of the net OPEB liability to changes in the discount rate - The following presents the Reporting Unit's proportionate share of the net OPEB liability calculated using a single discount rate of 7.15%, as well as what the Reporting Unit's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

| | Other postemployment benefits | | |
|--|-------------------------------|----------------------|----------------------|
| | 1% Decrease | Discount rate | 1% Increase |
| Reporting Unit's proportionate share of the net other postemployment benefit liability | <u>\$ 14,488,661</u> | <u>\$ 12,069,060</u> | <u>\$ 10,033,880</u> |

**ALLENDALE PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 7 - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (Concluded)

Actuarial Assumptions (Concluded)

Sensitivity to the net OPEB liability to changes in the healthcare cost trend rates - The following presents the Reporting Unit's proportionate share of the net other postemployment benefit liability calculated using the healthcare cost trend rate of 7.5% (decreasing to 3.0%), as well as what the Reporting Unit's proportionate share of the net other postemployment benefit liability would be if it were calculated using a healthcare cost trend rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

| | Other postemployment benefits | | |
|--|-------------------------------|--------------------------------|----------------------|
| | 1% trend decrease | Healthcare cost trend rates | 1% trend increase |
| Reporting Unit's proportionate share of the net other postemployment benefit liability | \$ 9,926,669 | \$ 12,069,060 | \$ 14,526,820 |

Pension and OPEB Plan Fiduciary Net Position

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

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

NOTE 8 - RISK MANAGEMENT

The District is exposed to risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. The District purchases commercial insurance to cover any losses that may result from the above described activities. No settlements have occurred in excess of coverage for the year ended June 30, 2019.

The District also participates in a pool, the SET-SEG Self-Insured Workers' Compensation Fund, with other school districts for workers' compensation losses. The pool is organized under Public Act 317 of 1969, as amended. The District has no liability for additional assessments based on claims filed against the pool nor do they have any rights to dividends.

**ALLENDALE PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 9 - TRANSFERS

The food service fund transferred \$37,000 to the general fund. The funds were transferred to cover the indirect costs related to the food service fund. The general fund transferred \$310,000 to the capital projects fund. The funds were transferred for capital projects and curriculum expenditures.

NOTE 10 - CONTINGENT LIABILITIES

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

NOTE 11 - TAX ABATEMENTS

The District receives reduced property tax revenues as a result of Industrial Facilities Tax exemptions granted by cities, villages and townships. Industrial facility exemptions are intended to promote construction of new industrial facilities, or to rehabilitate historical facilities. The property taxes abated for all funds by municipality under these programs are as follows:

| <u>Municipality</u> | <u>Taxes abated</u> |
|----------------------------|---------------------|
| Allendale Charter Township | <u>\$ 295,300</u> |

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

There are no abatements made by the District.

NOTE 12 - UPCOMING ACCOUNTING PRONOUNCEMENTS

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

**ALLENDALE PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 12 - UPCOMING ACCOUNTING PRONOUNCEMENTS (Concluded)

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

REQUIRED SUPPLEMENTARY INFORMATION

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

| | Original budget | Final budget | Actual | Variance with final |
|--|----------------------------|---------------------|---------------------|--------------------------------|
| REVENUES: | | | | |
| Local sources | \$ 4,885,800 | \$ 4,781,100 | \$ 4,793,118 | \$ 12,018 |
| State sources | 20,318,300 | 20,889,900 | 20,881,608 | (8,292) |
| Federal sources | 725,200 | 755,000 | 752,997 | (2,003) |
| Interdistrict sources and other | 2,433,820 | 2,633,900 | 2,634,997 | 1,097 |
| Total revenues | 28,363,120 | 29,059,900 | 29,062,720 | 2,820 |
| EXPENDITURES: | | | | |
| Current: | | | | |
| Instruction: | | | | |
| Basic programs | 14,408,400 | 15,034,300 | 14,948,714 | 85,586 |
| Added needs | 2,628,100 | 2,471,400 | 2,478,072 | (6,672) |
| Total instruction | 17,036,500 | 17,505,700 | 17,426,786 | 78,914 |
| Supporting services: | | | | |
| Pupil | 1,873,100 | 1,855,100 | 1,824,460 | 30,640 |
| Instructional staff | 829,900 | 822,600 | 815,230 | 7,370 |
| General administration | 735,800 | 737,400 | 728,139 | 9,261 |
| School administration | 1,633,700 | 1,609,600 | 1,605,149 | 4,451 |
| Business | 382,100 | 360,600 | 357,704 | 2,896 |
| Operation/maintenance | 2,488,800 | 2,510,800 | 2,537,086 | (26,286) |
| Pupil transportation | 1,472,500 | 1,539,600 | 1,522,600 | 17,000 |
| Central | 461,000 | 453,200 | 443,758 | 9,442 |
| Athletics | 620,100 | 609,700 | 609,003 | 697 |
| Total supporting services | 10,497,000 | 10,498,600 | 10,443,129 | 55,471 |
| Community services | 410,700 | 444,500 | 453,846 | (9,346) |
| Total expenditures | 27,944,200 | 28,448,800 | 28,323,761 | 125,039 |
| EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES | 418,920 | 611,100 | 738,959 | 127,859 |
| OTHER FINANCING SOURCES (USES): | | | | |
| Transfers in | 5,000 | 10,000 | 37,000 | 27,000 |
| Transfers out | - | (210,000) | (310,000) | (100,000) |
| Total other financing sources (uses) | 5,000 | (200,000) | (273,000) | (73,000) |
| NET CHANGE IN FUND BALANCE | <u>\$ 423,920</u> | <u>\$ 411,100</u> | 465,959 | <u>\$ 54,859</u> |
| FUND BALANCE: | | | | |
| Beginning of year | | | 1,598,771 | |
| End of year | | | <u>\$ 2,064,730</u> | |

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

| | <u>2018</u> | <u>2017</u> | <u>2016</u> | <u>2015</u> | <u>2014</u> |
|---|---------------|---------------|---------------|---------------|---------------|
| Reporting Unit's proportion of net pension liability (%) | 0.15243% | 0.15425% | 0.15307% | 0.14807% | 0.14331% |
| Reporting Unit's proportionate share of net pension liability | \$ 45,824,205 | \$ 39,972,681 | \$ 38,189,278 | \$ 36,166,670 | \$ 31,565,164 |
| Reporting Unit's covered-employee payroll | \$ 12,928,533 | \$ 12,914,495 | \$ 13,171,498 | \$ 12,436,932 | \$ 12,058,395 |
| Reporting Unit's proportionate share of net pension liability as a percentage of its covered-employee payroll | 352.81% | 309.52% | 289.94% | 290.80% | 261.77% |
| Plan fiduciary net position as a percentage of total pension liability (Non-university employers) | 62.36% | 64.21% | 63.27% | 63.17% | 66.20% |

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

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

| | <u>2019</u> | <u>2018</u> | <u>2017</u> | <u>2016</u> | <u>2015</u> |
|---|------------------|------------------|------------------|------------------|------------------|
| Statutorily required contributions | \$ 4,090,647 | \$ 4,028,037 | \$ 3,619,689 | \$ 3,290,936 | \$ 2,633,774 |
| Contributions in relation to statutorily required contributions | <u>4,090,647</u> | <u>4,028,037</u> | <u>3,619,689</u> | <u>3,290,936</u> | <u>2,633,774</u> |
| Contribution deficiency (excess) | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| Reporting Unit's covered-employee payroll | \$ 13,851,589 | \$ 12,834,521 | \$ 12,937,427 | \$ 12,578,027 | \$ 12,228,987 |
| Contributions as a percentage of covered-employee payroll | 29.53% | 31.38% | 27.98% | 26.16% | 21.54% |

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

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

| | <u>2018</u> | <u>2017</u> |
|--|---------------|---------------|
| Reporting Unit's proportion of net OPEB liability (%) | 0.15183% | 0.15473% |
| Reporting unit's proportionate share of net OPEB liability | \$ 12,069,060 | \$ 13,702,435 |
| Reporting unit's covered-employee payroll | \$ 12,928,533 | \$ 12,914,495 |
| Reporting unit's proportionate share of net OPEB liability as a percentage of its covered-employee payroll | 93.35% | 106.10% |
| Plan fiduciary net position as a percentage of total OPEB liability (Non-university employers) | 42.95% | 36.39% |

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

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

| | <u>2019</u> | <u>2018</u> |
|---|------------------|------------------|
| Statutorily required contributions | \$ 1,151,545 | \$ 1,133,496 |
| Contributions in relation to statutorily required contributions | <u>1,151,545</u> | <u>1,133,496</u> |
| Contribution deficiency (excess) | <u>\$ -</u> | <u>\$ -</u> |
| Reporting Unit's covered-employee payroll | \$ 13,851,589 | \$ 12,834,521 |
| Contributions as a percentage of covered-employee payroll | 8.31% | 8.83% |

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

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

Pension Information

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

Changes of assumptions - the assumption changes for 2018 were:

Wage inflation rate decreased to 2.75% from 3.50%.

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

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

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

OPEB Information

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

Changes of assumptions - the assumption changes for 2018 were:

Wage inflation rate decreased to 2.75% from 3.50%.

Discount rate decreased to 7.15% from 7.50%.

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

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

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

ADDITIONAL SUPPLEMENTARY INFORMATION

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

| | Special revenue food service | Capital projects fund | Debt service | Total nonmajor funds |
|--|------------------------------------|-----------------------------|------------------|----------------------------|
| ASSETS: | | | | |
| Cash and cash equivalents | \$ 306,699 | \$ - | \$ 79,219 | \$ 385,918 |
| Investments | - | 774,929 | - | 774,929 |
| Property taxes receivable | - | - | 96 | 96 |
| Intergovernmental receivable | 50,943 | - | - | 50,943 |
| Due from other funds | - | 100,000 | - | 100,000 |
| Inventories | 5,761 | - | - | 5,761 |
| TOTAL ASSETS | \$ 363,403 | \$ 874,929 | \$ 79,315 | \$ 1,317,647 |
| LIABILITIES: | | | | |
| Accounts payable | \$ 9,645 | \$ - | \$ 762 | \$ 10,407 |
| Accrued salaries and related payable | 3,911 | - | - | 3,911 |
| Accrued retirement | 10,829 | - | - | 10,829 |
| Due to other funds | 42,550 | - | - | 42,550 |
| Unearned revenue | 16,343 | - | - | 16,343 |
| TOTAL LIABILITIES | 83,278 | - | 762 | 84,040 |
| FUND BALANCES: | | | | |
| Nonspendable: | | | | |
| Inventories | 5,761 | - | - | 5,761 |
| Restricted for: | | | | |
| Debt service | - | - | 78,553 | 78,553 |
| Food service | 274,364 | - | - | 274,364 |
| Assigned for: | | | | |
| Capital projects | - | 874,929 | - | 874,929 |
| TOTAL FUND BALANCES | 280,125 | 874,929 | 78,553 | 1,233,607 |
| TOTAL LIABILITIES AND FUND BALANCES | \$ 363,403 | \$ 874,929 | \$ 79,315 | \$ 1,317,647 |

ALLENDALE PUBLIC SCHOOLS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
NONMAJOR GOVERNMENTAL FUND TYPES
YEAR ENDED JUNE 30, 2019

| | Special revenue food service | Capital projects fund | Debt service | Total nonmajor funds |
|--|------------------------------------|--------------------------|--------------|----------------------------|
| REVENUES: | | | | |
| Local sources: | | | | |
| Property taxes | \$ - | \$ - | \$ 1,379,075 | \$ 1,379,075 |
| Investment earnings | 1,988 | 2,816 | 19,547 | 24,351 |
| Food sales | 341,678 | - | - | 341,678 |
| Total local sources | 343,666 | 2,816 | 1,398,622 | 1,745,104 |
| State sources | 73,607 | - | 20,827 | 94,434 |
| Federal sources | 489,242 | - | - | 489,242 |
| Total revenues | 906,515 | 2,816 | 1,419,449 | 2,328,780 |
| EXPENDITURES: | | | | |
| Current: | | | | |
| Salaries | 298,142 | - | - | 298,142 |
| Benefits | 147,986 | - | - | 147,986 |
| Purchased services | 21,211 | - | - | 21,211 |
| Supplies and materials | 364,329 | - | - | 364,329 |
| Capital outlay | 8,930 | - | - | 8,930 |
| Outgoing transfers and other transactions | 12,179 | - | - | 12,179 |
| Capital outlay | - | 28,584 | - | 28,584 |
| Debt service: | | | | |
| Principal repayment | - | - | 790,000 | 790,000 |
| Interest expense | - | - | 2,873,102 | 2,873,102 |
| Other expense | - | - | 4,923 | 4,923 |
| Total expenditures | 852,777 | 28,584 | 3,668,025 | 4,549,386 |
| EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES | 53,738 | (25,768) | (2,248,576) | (2,220,606) |
| OTHER FINANCING SOURCES (USES): | | | | |
| Proceeds from school loan revolving fund | - | - | 2,275,883 | 2,275,883 |
| Transfers in | - | 310,000 | - | 310,000 |
| Transfers out | (37,000) | - | - | (37,000) |
| Total other financing sources (uses) | (37,000) | 310,000 | 2,275,883 | 2,548,883 |
| NET CHANGE IN FUND BALANCES | 16,738 | 284,232 | 27,307 | 328,277 |
| FUND BALANCES: | | | | |
| Beginning of year | 263,387 | 590,697 | 51,246 | 905,330 |
| End of year | \$ 280,125 | \$ 874,929 | \$ 78,553 | \$ 1,233,607 |

**ALLENDALE PUBLIC SCHOOLS
DEBT SERVICE FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2019**

| | 2015 (A) Refunding | 2016 Refunding | 2017 Refunding | 2017 | Total nonmajor |
|--|-------------------------------|---------------------------|---------------------------|------------------|---------------------------|
| ASSETS: | | | | | |
| Cash and cash equivalents | \$ 6,073 | \$ 56,746 | \$ 2,248 | \$ 14,152 | \$ 79,219 |
| Property taxes receivable | 96 | - | - | - | 96 |
| TOTAL ASSETS | <u>\$ 6,169</u> | <u>\$ 56,746</u> | <u>\$ 2,248</u> | <u>\$ 14,152</u> | <u>\$ 79,315</u> |
| LIABILITIES AND FUND BALANCES | | | | | |
| LIABILITIES: | | | | | |
| Accounts payable | <u>\$ 50</u> | <u>\$ 306</u> | <u>\$ 34</u> | <u>\$ 372</u> | <u>\$ 762</u> |
| FUND BALANCES: | | | | | |
| Restricted for debt service | <u>6,119</u> | <u>56,440</u> | <u>2,214</u> | <u>13,780</u> | <u>78,553</u> |
| TOTAL LIABILITIES AND FUND BALANCES | <u>\$ 6,169</u> | <u>\$ 56,746</u> | <u>\$ 2,248</u> | <u>\$ 14,152</u> | <u>\$ 79,315</u> |

**ALLENDALE PUBLIC SCHOOLS
DEBT SERVICE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
YEAR ENDED JUNE 30, 2019**

| | 2015 (A) | 2016 | 2017 | | Total |
|--|------------------|------------------|------------------|-------------|-----------------|
| | Refunding | Refunding | Refunding | 2017 | nonmajor |
| REVENUES: | | | | | |
| Local sources: | | | | | |
| Property taxes | \$ 85,234 | \$ 656,183 | \$ 67,494 | \$ 570,164 | \$ 1,379,075 |
| Interest | 1,297 | 7,952 | 869 | 9,429 | 19,547 |
| Total local revenues | 86,531 | 664,135 | 68,363 | 579,593 | 1,398,622 |
| State sources | 1,287 | 9,914 | 1,019 | 8,607 | 20,827 |
| Total revenues | 87,818 | 674,049 | 69,382 | 588,200 | 1,419,449 |
| EXPENDITURES: | | | | | |
| Principal repayments | - | - | - | 790,000 | 790,000 |
| Interest expense | 226,350 | 1,743,700 | 179,283 | 723,769 | 2,873,102 |
| Other | 627 | 1,271 | 586 | 2,439 | 4,923 |
| Total expenditures | 226,977 | 1,744,971 | 179,869 | 1,516,208 | 3,668,025 |
| DEFICIENCY OF REVENUES UNDER EXPENDITURES | (139,159) | (1,070,922) | (110,487) | (928,008) | (2,248,576) |
| OTHER FINANCING SOURCES (USES): | | | | | |
| Proceeds from school loan revolving fund | 140,631 | 1,083,360 | 111,388 | 940,504 | 2,275,883 |
| NET CHANGE IN FUND BALANCES | 1,472 | 12,438 | 901 | 12,496 | 27,307 |
| FUND BALANCES: | | | | | |
| Beginning of year | 4,647 | 44,002 | 1,313 | 1,284 | 51,246 |
| End of year | \$ 6,119 | \$ 56,440 | \$ 2,214 | \$ 13,780 | \$ 78,553 |

ALLENDALE PUBLIC SCHOOLS
BONDED DEBT - PRINCIPAL AND INTEREST REQUIREMENTS
JUNE 30, 2019

2015 Series A refunding bonds

| Fiscal year | Interest rate | Principal due May 1, | Interest due | | Total due annually |
|---------------------------------|---------------|-------------------------|-------------------|-------------------|-----------------------|
| | | | May 1 | November 1 | |
| 2020 | | \$ - | \$ 113,175 | \$ 113,175 | \$ 226,350 |
| 2021 | 3.00% | 810,000 | 101,025 | 113,175 | 1,024,200 |
| 2022 | 3.00% | 995,000 | 86,100 | 101,025 | 1,182,125 |
| 2023 | 4.00% | 1,280,000 | 60,500 | 86,100 | 1,426,600 |
| 2024 | 4.00% | 1,540,000 | 29,700 | 60,500 | 1,630,200 |
| 2025 | 4.00% | 1,485,000 | - | 29,700 | 1,514,700 |
| Total 2015 Series A bonded debt | | <u>\$ 6,110,000</u> | <u>\$ 390,500</u> | <u>\$ 503,675</u> | <u>\$ 7,004,175</u> |

The above bonds dated August 13, 2015 were issued for the purpose of refunding portions of the School District's outstanding 2005 School building and site bonds.

ALLENDALE PUBLIC SCHOOLS
BONDED DEBT - PRINCIPAL AND INTEREST REQUIREMENTS
JUNE 30, 2019

2015 Series B SLRF refunding bonds

| Fiscal year | Interest rate | | Principal due | | Interest due | | Total due |
|--------------------------------------|---------------|-------------|----------------------|---------------------|-------------------|-------------------|----------------------|
| | May 1, | November 1, | May 1, | November 1, | May 1 | November 1 | annually |
| 2020 | 2.573% | 2.423% | \$ 13,280,000 | \$ 2,820,000 | \$ 170,847 | \$ 205,011 | \$ 16,475,858 |
| Total 2015 Series B SLRF bonded debt | | | <u>\$ 13,280,000</u> | <u>\$ 2,820,000</u> | <u>\$ 170,847</u> | <u>\$ 205,011</u> | <u>\$ 16,475,858</u> |

The above bonds dated August 13, 2015 will be used to refund certain outstanding indebtedness of the School District to the State of Michigan pursuant to the State of Michigan School Bond Qualification and Loan Program.

ALLENDALE PUBLIC SCHOOLS
BONDED DEBT - PRINCIPAL AND INTEREST REQUIREMENTS
JUNE 30, 2019

2016 Refunding bonds

| Fiscal year | Interest rate | | Principal due | | Interest due | | Total due annually |
|------------------------|---------------|-------------|----------------------|----------------------|---------------------|---------------------|-----------------------|
| | May 1, | November 1, | May 1, | November 1, | May 1 | November 1 | |
| 2020 | | | \$ - | \$ - | \$ 871,850 | \$ 871,850 | \$ 1,743,700 |
| 2021 | | | - | - | 871,850 | 871,850 | 1,743,700 |
| 2022 | 5.000% | 2.000% | 9,800,000 | 2,360,000 | 848,250 | 871,850 | 13,880,100 |
| 2023 | 5.000% | 5.000% | 10,300,000 | 2,550,000 | 539,500 | 603,250 | 13,992,750 |
| 2024 | | 4.000% | - | 600,000 | 270,000 | 282,000 | 1,152,000 |
| 2025 | | 4.000% | - | 400,000 | 262,000 | 270,000 | 932,000 |
| 2026 | | 5.000% | - | 2,200,000 | 207,000 | 262,000 | 2,669,000 |
| 2027 | | 5.000% | - | 2,300,000 | 149,500 | 207,000 | 2,656,500 |
| 2028 | | 5.000% | - | 2,400,000 | 89,500 | 149,500 | 2,639,000 |
| 2029 | | 5.000% | - | 2,500,000 | 27,000 | 89,500 | 2,616,500 |
| 2030 | | 4.000% | - | 650,000 | 14,000 | 27,000 | 691,000 |
| 2031 | | 4.000% | - | 100,000 | 12,000 | 14,000 | 126,000 |
| 2032 | | 4.000% | - | 100,000 | 10,000 | 12,000 | 122,000 |
| 2033 | | 4.000% | - | 100,000 | 8,000 | 10,000 | 118,000 |
| 2034 | | 4.000% | - | 100,000 | 6,000 | 8,000 | 114,000 |
| 2035 | | 4.000% | - | 100,000 | 4,000 | 6,000 | 110,000 |
| 2036 | | 4.000% | - | 100,000 | 2,000 | 4,000 | 106,000 |
| 2037 | 4.000% | | 100,000 | - | 2,000 | 2,000 | 104,000 |
| Total 2016 bonded debt | | | <u>\$ 20,200,000</u> | <u>\$ 16,560,000</u> | <u>\$ 4,194,450</u> | <u>\$ 4,561,800</u> | <u>\$ 45,516,250</u> |

The above bonds dated February 3, 2016 were issued for the purpose of refunding portions of the School District's outstanding 2006 Refunding bonds and portions of the School District's outstanding 2007 Series A school building and site bonds.

ALLENDALE PUBLIC SCHOOLS
BONDED DEBT - PRINCIPAL AND INTEREST REQUIREMENTS
JUNE 30, 2019

2017 Building and site bonds

| Fiscal year | Interest rate | | Principal due | | Interest due | | Total due annually |
|------------------------|---------------|-------------|----------------------|---------------------|---------------------|---------------------|-----------------------|
| | May 1, | November 1, | May 1, | November 1, | May 1 | November 1 | |
| 2020 | 4.000% | 4.000% | \$ 365,000 | \$ 505,000 | \$ 341,035 | \$ 351,134 | \$ 1,562,169 |
| 2021 | 4.000% | 4.000% | 315,000 | 395,000 | 325,835 | 333,734 | 1,369,569 |
| 2022 | 4.000% | 4.000% | 345,000 | 395,000 | 311,635 | 319,534 | 1,371,169 |
| 2023 | 4.000% | 4.000% | 250,000 | 320,000 | 298,335 | 304,734 | 1,173,069 |
| 2024 | 4.000% | 4.000% | 210,000 | 320,000 | 286,935 | 293,334 | 1,110,269 |
| 2025 | 4.000% | 4.000% | 220,000 | 320,000 | 276,335 | 282,734 | 1,099,069 |
| 2026 | 4.000% | 4.000% | 235,000 | 320,000 | 265,535 | 271,934 | 1,092,469 |
| 2027 | 4.000% | 4.000% | 255,000 | 320,000 | 254,435 | 260,834 | 1,090,269 |
| 2028 | 4.000% | 4.000% | 275,000 | 320,000 | 242,934 | 249,334 | 1,087,268 |
| 2029 | 3.000% | 3.000% | 295,000 | 320,000 | 231,034 | 237,434 | 1,083,468 |
| 2030 | 3.000% | 3.000% | 300,000 | 335,000 | 221,584 | 226,609 | 1,083,193 |
| 2031 | 3.000% | 3.000% | 320,000 | 335,000 | 212,059 | 217,084 | 1,084,143 |
| 2032 | 3.000% | 3.000% | 335,000 | 340,000 | 202,159 | 207,259 | 1,084,418 |
| 2033 | 3.000% | 3.000% | 340,000 | 355,000 | 191,809 | 197,134 | 1,083,943 |
| 2034 | 3.000% | 3.000% | 360,000 | 355,000 | 181,384 | 186,709 | 1,083,093 |
| 2035 | 3.125% | 3.125% | 385,000 | 355,000 | 170,659 | 175,984 | 1,086,643 |
| 2036 | 3.125% | 3.125% | 410,000 | 355,000 | 159,097 | 164,644 | 1,088,741 |
| 2037 | 3.250% | 3.250% | 435,000 | 355,000 | 147,144 | 152,691 | 1,089,835 |
| 2038 | 3.250% | 3.250% | 455,000 | 355,000 | 134,306 | 140,075 | 1,084,381 |
| 2039 | 3.250% | 3.250% | 485,000 | 355,000 | 121,144 | 126,913 | 1,088,057 |
| 2040 | 3.250% | 3.250% | 515,000 | 355,000 | 107,494 | 113,263 | 1,090,757 |
| 2041 | 3.375% | 3.375% | 545,000 | 355,000 | 93,356 | 99,125 | 1,092,481 |
| 2042 | 3.375% | 3.375% | 575,000 | 355,000 | 78,169 | 84,159 | 1,092,328 |
| 2043 | 3.500% | 3.500% | 505,000 | 355,000 | 62,475 | 68,466 | 990,941 |
| 2044 | 3.500% | 3.500% | 535,000 | 355,000 | 47,425 | 53,638 | 991,063 |
| 2045 | 3.500% | 3.500% | 550,000 | 355,000 | 31,850 | 38,063 | 974,913 |
| 2046 | 3.500% | 3.500% | 310,000 | 355,000 | 16,013 | 22,225 | 703,238 |
| 2047 | 3.500% | 3.500% | 305,000 | 300,000 | 5,338 | 10,588 | 620,926 |
| Total 2017 bonded debt | | | <u>\$ 10,430,000</u> | <u>\$ 9,815,000</u> | <u>\$ 5,017,513</u> | <u>\$ 5,189,369</u> | <u>\$ 30,451,882</u> |

The above bonds dated June 29, 2017 were issued for school building and site purposes.

ALLENDALE PUBLIC SCHOOLS
BONDED DEBT - PRINCIPAL AND INTEREST REQUIREMENTS
JUNE 30, 2019

2017 Refunding bonds

| Fiscal year | Interest rate | | Principal due | Interest due | | Total due annually |
|------------------------|---------------|------------|---------------------|-------------------|-------------|-----------------------|
| | May 1 | November 1 | May 1 | May 1 | November 1 | |
| 2020 | | | \$ - | \$ 179,283 | \$ - | \$ 179,283 |
| 2021 | 1.850% | | 9,745,000 | 161,282 | - | 9,906,282 |
| Total 2017 bonded debt | | | <u>\$ 9,745,000</u> | <u>\$ 340,565</u> | <u>\$ -</u> | <u>\$ 10,085,565</u> |

The above bonds dated January 23, 2017 were issued for the purpose of refunding portions of the School District's outstanding 2007 Refunding bonds.

ALLENDALE PUBLIC SCHOOLS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2019

| Federal grantor/pass-through grantor/ program title | Federal CFDA number | Pass- through grantor's number | Approved grant award amount | Accrued revenue July 1, 2018 | (Memo only) Prior year expenditures | Current year expenditures | Current year cash receipts | Accrued revenue June 30, 2019 |
|--|---------------------------|---|-----------------------------------|------------------------------------|--|---------------------------------|----------------------------------|-------------------------------------|
| U.S. Department of Agriculture: | | | | | | | | |
| Passed through Michigan Department of Education: | | | | | | | | |
| Child Nutrition Cluster: | | | | | | | | |
| Non-cash assistance (donated foods): | | | | | | | | |
| National School Lunch Program | 10.555 | | \$ 70,665 | \$ - | \$ - | \$ 70,665 | \$ 70,665 | \$ - |
| Cash assistance: | | | | | | | | |
| National School Lunch Program | 10.555 | 191980 | 1,236 | - | - | 1,236 | 1,236 | - |
| National School Lunch Program | | 191960 | 288,180 | - | - | 288,180 | 282,432 | 5,748 |
| National School Lunch Program | | 181980 | 23 | - | - | 23 | 23 | - |
| National School Lunch Program | | 181960 | 37,921 | - | - | 37,921 | 37,921 | - |
| | | | 327,360 | - | - | 327,360 | 321,612 | 5,748 |
| Total CFDA# 10.555 National school lunch | | | 398,025 | - | - | 398,025 | 392,277 | 5,748 |
| School Breakfast Program | 10.553 | 191970 | 72,656 | - | - | 72,656 | 70,263 | 2,393 |
| School Breakfast Program | | 181970 | 7,789 | - | - | 7,789 | 7,789 | - |
| Total CFDA # 10.553 Breakfast | | | 80,445 | - | - | 80,445 | 78,052 | 2,393 |
| Special Milk Program for Children | 10.556 | 191940 | 231 | - | - | 231 | 224 | 7 |
| Special Milk Program for Children | | 181940 | 13 | - | - | 13 | 13 | - |
| Total CFDA # 10.556 Special Milk Program | | | 244 | - | - | 244 | 237 | 7 |
| Total Cash Assistance | | | 408,049 | - | - | 408,049 | 399,901 | 8,148 |
| Total Child Nutrition Cluster | | | 478,714 | - | - | 478,714 | 470,566 | 8,148 |
| Child and Adult Care Food Program | 10.558 | 192010 | 416 | - | - | 416 | 416 | - |
| Child and Adult Care Food Program | | 191920 | 9,223 | - | - | 9,223 | 9,223 | - |
| Child and Adult Care Food Program | | 182010 | 39 | - | - | 39 | 39 | - |
| Child and Adult Care Food Program | | 181920 | 850 | - | - | 850 | 850 | - |
| Total CFDA # 10.558 CACFP Meals | | | 10,528 | - | - | 10,528 | 10,528 | - |
| Total U.S. Department of Agriculture | | | 489,242 | - | - | 489,242 | 481,094 | 8,148 |

The accompanying notes are an integral part of this schedule

ALLENDALE PUBLIC SCHOOLS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2019

| Federal grantor/pass-through grantor/ program title | Federal CFDA number | Pass- through grantor's number | Approved grant award amount | Accrued revenue July 1, 2018 | (Memo only) Prior year expenditures | Current year expenditures | Current year cash receipts | Accrued revenue June 30, 2019 |
|--|---------------------------|---|-----------------------------------|------------------------------------|--|---------------------------------|----------------------------------|-------------------------------------|
| <u>U.S. Department of Education:</u> | | | | | | | | |
| Passed through Michigan Department of Education: | | | | | | | | |
| Title I Grants to Local Educational Agencies | 84.010 | 191530-1819 | \$ 176,383 | \$ - | \$ - | \$ 173,893 | \$ 106,905 | \$ 66,988 |
| Title I Grants to Local Educational Agencies | | 181530-1718 | 170,243 | 17,839 | 156,715 | - | 17,839 | - |
| Total CFDA #84.010 | | | 346,626 | 17,839 | 156,715 | 173,893 | 124,744 | 66,988 |
| Supporting Effective Instruction State Grants | 84.367 | 190520-1819 | 66,951 | - | - | 66,951 | 34,023 | 32,928 |
| Title IV, Student Support and Academic Achievement | 84.424 | 190750-1819 | 10,336 | - | - | 10,336 | 10,336 | - |
| Title IV, Student Support and Academic Achievement | | 180750-1718 | 10,000 | 5 | 10,000 | - | 5 | - |
| Total CFDA #84.424 | | | 20,336 | 5 | 10,000 | 10,336 | 10,341 | - |
| Total passed through Michigan Department of Education | | | 433,913 | 17,844 | 166,715 | 251,180 | 169,108 | 99,916 |
| Passed through Ottawa Area Intermediate School District: | | | | | | | | |
| Special Education Cluster: | | | | | | | | |
| Special Education Grants to States | 84.027 | 190450-1819 | 466,751 | - | - | 466,751 | 269,017 | 197,734 |
| Special Education Grants to States | | 180450-1718 | 447,573 | 192,079 | 447,573 | - | 192,079 | - |
| Total CFDA #84.027 | | | 914,324 | 192,079 | 447,573 | 466,751 | 461,096 | 197,734 |
| Special Education Preschool Grants | 84.173 | 190460-1819 | 12,741 | - | - | 12,741 | 10,186 | 2,555 |
| Special Education Preschool Grants | | 180460-1718 | 12,127 | 2,511 | 12,127 | - | 2,511 | - |
| Total CFDA #84.173 | | | 24,868 | 2,511 | 12,127 | 12,741 | 12,697 | 2,555 |
| Total Special Education Cluster | | | 939,192 | 194,590 | 459,700 | 479,492 | 473,793 | 200,289 |
| Education for Homeless Children and Youth | 84.196 | 192320-1819 | 1,376 | - | - | 1,367 | - | 1,367 |
| Education for Homeless Children and Youth | | 182320-1718 | 1,222 | 1,222 | 1,222 | - | 1,222 | - |
| Total CFDA #84.196 | | | 2,598 | 1,222 | 1,222 | 1,367 | 1,222 | 1,367 |
| Total passed through Ottawa Area Intermediate School District | | | 941,790 | 195,812 | 460,922 | 480,859 | 475,015 | 201,656 |

The accompanying notes are an integral part of this schedule

ALLENDALE PUBLIC SCHOOLS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2019

| Federal grantor/pass-through grantor/ program title | Federal CFDA number | Pass- through grantor's number | Approved grant award amount | Accrued revenue July 1, 2018 | (Memo only) Prior year expenditures | Current year expenditures | Current year cash receipts | Accrued revenue June 30, 2019 |
|---|---------------------------|---|-----------------------------------|------------------------------------|--|---------------------------------|----------------------------------|-------------------------------------|
| <u>U.S. Department of Education (Concluded):</u> | | | | | | | | |
| Passed through Kent Intermediate School District: | | | | | | | | |
| English Language Acquisition State Grants | 84.365 | 1819 | \$ 10,764 | \$ - | \$ - | \$ 9,071 | \$ - | \$ 9,071 |
| English Language Acquisition State Grants | | 1718 | 9,699 | 1,472 | 2,758 | 6,941 | 8,413 | - |
| | | | 20,463 | 1,472 | 2,758 | 16,012 | 8,413 | 9,071 |
| English Language Acquisition State Grants - Immigrant | 84.365 | 190570-1819 | 2,562 | - | - | 1,334 | - | 1,334 |
| Total CFDA # 84.365 Title III | | | 23,025 | 1,472 | 2,758 | 17,346 | 8,413 | 10,405 |
| Total passed through Kent Intermediate School District | | | 23,025 | 1,472 | 2,758 | 17,346 | 8,413 | 10,405 |
| Total U.S. Department of Education | | | 1,398,728 | 215,128 | 630,395 | 749,385 | 652,536 | 311,977 |
| <u>U.S. Department of Health and Human Services:</u> | | | | | | | | |
| Passed through Ottawa Area Intermediate School District: | | | | | | | | |
| Medical Assistance Program | 93.778 | | 3,612 | - | - | 3,612 | 3,612 | - |
| TOTAL FEDERAL AWARDS | | | \$ 1,891,582 | \$ 215,128 | \$ 630,395 | \$ 1,242,239 | \$ 1,137,242 | \$ 320,125 |

The accompanying notes are an integral part of this schedule

ALLENDALE PUBLIC SCHOOLS
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2019

1. Basis for Presentation - The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of Allendale 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* (CFR) 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 Allendale Public Schools, it is not intended to and does not present the financial position or changes in net position of Allendale Public Schools.
2. Summary of Significant Accounting Policies - Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts (if any) shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. Pass-through entity identifying numbers are presented where available. Allendale Public Schools has elected to not use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.
3. Management has utilized the cash management system (CMS) Grant Auditor Report in preparing the schedule of expenditures of federal awards. The District does not pass through federal funds.
4. Federal expenditures are reported as revenue in the following funds in the financial statements:

| | |
|-------------------|----------------------------|
| General fund | \$ 752,997 |
| Food service fund | <u>489,242</u> |
| | <u><u>\$ 1,242,239</u></u> |

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

To the Board of Education
Allendale Public Schools

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

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Allendale Public Schools' internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Allendale Public Schools' internal control. Accordingly, we do not express an opinion on the effectiveness of the Allendale 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 Allendale Public Schools' financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

Maney Costeiran PC

September 30, 2019

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH
MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

To the Board of Education
Allendale Public Schools

Report on Compliance for Each Major Federal Program

We have audited Allendale 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 Allendale Public Schools' of federal programs for the year ended June 30, 2019. Allendale 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.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Allendale 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* (CFR) 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 Allendale 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 unmodified opinion on compliance for major federal programs. However, our audit does not provide a legal determination of Allendale Public Schools' compliance.

Opinion on Each Major Federal Program

In our opinion, Allendale 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 Allendale 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 Allendale 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 Allendale 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 a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the 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.

Maney Costeiran PC

September 30, 2019

**ALLENDALE PUBLIC SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2019**

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: *Unmodified*

Internal control over financial reporting:

➤ Material weakness(es) identified? _____ Yes X No

➤ Significant deficiency(ies) identified that are not considered to be material weakness(es)? _____ 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(ies) identified that are not considered to be material weakness(es)? _____ Yes X None reported

Type of auditor's report issued on compliance for major programs: *Unmodified*

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

Identification of major programs:

| CFDA Number(s) | Name of Federal Program or Cluster |
|------------------------|------------------------------------|
| 10.553, 10.555, 10.556 | 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

Section II - Financial Statement Findings

None

Section III - Federal Award Findings and Question Costs

None

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

There were no audit findings in the prior year.

September 30, 2019

To the Board of Education
Allendale Public Schools

In planning and performing our audit of the financial statements of Allendale Public Schools as of and for the year ended June 30, 2019, in accordance with auditing standards generally accepted in the United States of America, we considered Allendale Public Schools' internal control over financial reporting (internal control) as a basis for designing our auditing 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 District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, during our audit, we noted one matter involving the internal controls and other operational matters that is presented for your consideration. This letter does not affect our report dated September 30, 2019 on the financial statements of Allendale Public Schools. We will review the status of this comment during our next audit engagement. Our comment and recommendation, which has been discussed with appropriate members of management, is intended to improve the internal controls or result in other operating efficiencies. We will be pleased to discuss this comment in further detail at your convenience, perform any additional study of this matter, or assist you in implementing the recommendation. Our comment is summarized as follows.

Prior Year Comment

Event receipts

During our review of controls surrounding ticket sales for athletic events, we noted that after ticket sales are reconciled, the athletic director or athletic secretary compare the gate receipt form to the amount that is deposited in the bank. These individuals are independent from the individuals preparing the gate receipt form; however, we noted that the gate receipt forms are stored in the safe along with the cash collected. We recommend that the forms are stored in a separate location. This process will help to ensure that what was originally received and counted was actually deposited into the bank.

Status: We noted that the gate receipt form is now stored in a separate room from the cash collected. We commend the District for taking steps to improve this area.

This report is intended solely for the information and use of management, and others within the District, and is not intended to be and should not be used by anyone other than these specified parties.

We appreciate the cooperation we received from your staff during our engagement and the opportunity to be of service.

Very truly yours,

Maney Costeiran PC

September 30, 2019

To the Board of Education
Allendale Public Schools

We have audited the financial statements of Allendale Public Schools for the year ended June 30, 2019, and have issued our report thereon dated September 30, 2019. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, *Government Auditing Standards* and OMB's Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, as well as certain information related to the planned scope and timing of our audit. Professional standards also require that we communicate to you the following information related to our audit.

Our Responsibility under U.S. Generally Accepted Auditing Standards, *Government Auditing Standards* and OMB's Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)

As stated in our engagement letter, our responsibility, as described by professional standards, is to express an opinion about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

In planning and performing our audit, we considered Allendale Public Schools' internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. We also considered internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with the Uniform Guidance.

As part of obtaining reasonable assurance about whether Allendale Public Schools' financial statements are free of material misstatement, we performed test of its compliance with certain provisions of laws, regulations, contracts, and grants, 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. Also in accordance with the Uniform Guidance, we examined, on a test basis, evidence about Allendale Public Schools' compliance with the types of compliance requirements described in the *OMB Compliance Supplement* applicable to each of its major federal programs for the purpose of expressing an opinion on Allendale Public Schools' compliance with those requirements. While our audit provides a reasonable basis for our opinion, it does not provide a legal determination on Allendale Public Schools' compliance with those requirements.

Our responsibility for the supplementary information accompanying the financial statement, as described by professional standards, is to evaluate the presentation of the supplementary information in relation to the financial statements as a whole and to report on whether the supplementary information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you.

Significant Audit Findings

1. Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by Allendale Public Schools are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2019. We noted no transactions entered into by the District during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

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

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

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

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

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

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

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

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. We did not identify any sensitive disclosures.

2. *Difficulties Encountered in Performing the Audit*

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

3. *Corrected and Uncorrected Misstatements*

Professional standards require us to accumulate all misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole. We did not detect any corrected or uncorrected misstatements.

4. *Disagreements with Management*

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

5. *Management Representations*

We have requested certain representations from management that are included in the management representation letter dated September 30, 2019.

6. *Management Consultations with Other Independent Accountants*

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the District's financial statements or a determination of the type of 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.

7. *Other Audit Findings or Issues*

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

8. *Other Matters*

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

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

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

Very truly yours,

Maney Costeiran PC