



ST. JOSEPH PUBLIC SCHOOLS

FINANCIAL REPORT

WITH SUPPLEMENTARY INFORMATION

JUNE 30, 2019

ST. JOSEPH PUBLIC SCHOOLS
St. Joseph, Michigan
June 30, 2019

BOARD OF EDUCATION

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St. Joseph Public Schools
St. Joseph, Michigan
June 30, 2019

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INDEPENDENT AUDITOR'S REPORT

To the Board of Education of
St. Joseph Public Schools
St. Joseph, Michigan

Report to the Financial Statements

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

Management's Responsibility for the Financial Statements

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

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 St. Joseph Public Schools as of June 30, 2019, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

INDEPENDENT AUDITOR'S REPORT, CONCLUDED

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the 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 the School District's basic financial statements. The combining nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The combining nonmajor fund financial statements and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining nonmajor fund financial statements and the statement of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 8, 2019, on our consideration of the School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School District's internal control over financial reporting and compliance.

Respectfully submitted,



Certified Public Accountants

St. Joseph, Michigan
October 8, 2019

St. Joseph Public Schools, a K-12 School District located in Berrien County, Michigan, has adopted the provisions of Governmental Accounting Standards Board Statement 34 ("GASB 34"). The Management's Discussion and Analysis, a requirement of GASB 34, is intended to be discussion and analysis of the financial results for the fiscal year ended June 30, 2019 of the management of St. Joseph Public Schools (the "District").

Generally accepted accounting principles ("GAAP") and GASB 34 requires the reporting of two types of financial statements: District-Wide Financial Statements and Fund Financial Statements. Please read it in conjunction with the School District's financial statements, which immediately follow this section.

Using this Annual Report

This annual report consists of a series of financial statements and notes to these statements. These statements are organized so the reader can understand the School District financially as a whole. The School District-wide financial statements provide information about the activities of the whole District, presenting both an aggregate view of the School District's finances and a long-term view of those finances. The fund financial statements provide the next level of detail. For governmental activities, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements look at the School District's operations in more detail than the School District -wide financial statements by providing information about the School District's most significant fund, with all other funds presented in one column as non-major funds. The remaining statement, the Statement of Fiduciary Assets and Liabilities, presents financial information about activities for which the School District acts solely as an agent for the benefit of students and parents.

District-Wide Financial Statements

The School District-wide financial statements are full accrual basis statements. They report all of the School District's assets, deferred outflows of resources, deferred inflows of resources and liabilities, both short and long-term, regardless if they are "currently available" or not. For example, assets that are restricted for use in the Debt Funds solely for the payment of long-term principal or interest are grouped with unrestricted assets of the General Fund. Capital assets and long-term obligations of the School District are reported in the Statement of Net Position of the School District -wide financial statements.

Fund Financial Statements

The fund level financial statements are reported on a modified accrual basis. Only those assets that are "measurable" and "currently available" are reported. Liabilities are recognized to the extent they are normally expected to be paid with current financial resources.

The fund statements are formatted to comply with the legal requirements of the Michigan Department of Education's "Accounting Manual". In the State of Michigan, the School District's major instructional and instructional support activities are reported in the General Fund. Additional activities are reported in their relevant funds including: Capital Projects Funds, Debt Service Funds, and the School Service Funds.

In the fund financial statements, capital assets purchased by cash are reported as expenditures in the year of acquisition. No asset is reported. The issuance of debt is recorded as a financial resource. The current year's payments of principal and interest on long-term obligations are recorded as expenditures. Future years' debt obligations are not recorded.

The School District as Trustee — Reporting the School District's Fiduciary Responsibilities

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

The Private Purpose Trust fund is an unbudgeted fund which is used to provide for general education needs and to pay scholarships for selected high school students. The Agency Fund is an unbudgeted fund that accounts for the activities of student groups and other types of clearing accounts.

Summary of Net Position

The net deficit of the School District is summarized in the table below:

Assets:	June 30, 2019	June 30, 2018
Cash and cash equivalents	\$ 1,506,497	\$ 2,824,598
Investments	3,083,597	2,655,245
Receivables	4,014,500	3,813,054
Other assets	120,296	142,547
Net capital assets	61,198,053	58,917,966
Total Assets	\$ 69,922,943	\$ 68,353,410
Deferred Outflows of Resources:		
Deferred interest charges on bond issuance	\$ 1,464,253	\$ 1,625,353
Deferred outflows of resources from pensions	15,455,071	8,996,333
Deferred outflows of resources from OPEB	2,296,408	896,054
Total Deferred Outflows of Resources	\$ 19,215,732	\$ 11,517,740
Total Assets and Deferred Outflows of Resources	\$ 89,138,675	\$ 79,871,150
Liabilities:		
Accounts payable and other accrued liabilities	\$ 3,601,769	\$ 3,217,085
Notes and bonds payable	44,332,641	46,805,632
Net pension liability	47,532,710	41,331,328
Net OPEB liability	12,457,608	14,107,722
Total Liabilities	\$ 107,924,728	\$ 105,461,767
Deferred Inflows of Resources:		
Deferred inflows of resources from pensions	\$ 5,721,855	\$ 4,036,808
Deferred inflows of resources from OPEB	2,994,477	476,944
Total Deferred Outflows of Resources	\$ 8,716,332	\$ 4,513,752
Total Liabilities and Deferred Inflows of Resources	\$ 116,641,060	\$ 109,975,519
Net Position (Deficit):		
Net investment in capital assets	\$ 18,329,666	\$ 13,737,687
Restricted for:		
Capital projects	102,788	1,795,800
Debt service	728,880	543,789
Unrestricted	(46,663,718)	(46,181,645)
Total Net Position (Deficit)	\$ (27,502,384)	\$ (30,104,369)

Analysis of Financial Position

During fiscal year ended June 30, 2019, the School District’s net position increased by \$2,601,985. A few of the significant factors affecting net position during the year are discussed below:

A. General Operations

The School District’s total revenues increased by \$1,673,824 for the fiscal year ended June 30, 2019. Total expenses increased by \$1,773,272 for the fiscal year ended June 30, 2019 due to an increase in instructional and instructional support services.

B. Debt Activity

The School District made principal payments on bonds and note payable long-term debt obligations which reduced the amount of the School District’s long-term liabilities. Principal payments made during the year ended June 30, 2019 totaled \$2,140,000 which reduced the 2010 Series A Bonds, 2013 Refunding Bonds, 2015 Refunding Bonds and the 2016 School Building and Equipment Bond. The 2016 bonds are to be used in all school buildings for technology improvements, safety and security enhancements, and bus purchasing.

The School District also entered into a capital lease during the fiscal year ended June 30, 2019 for the acquisition of copiers.

C. Net Investment in Capital Assets

The School District’s capital assets, net of accumulated depreciation increased by \$2,280,087 during the year. The net activity for the year is summarized in the following table:

	Balance July 1, 2018	Additions	Deletions and Adjustments and Reclassifications	Balance June 30, 2019
Capital Assets	\$ 87,263,487	\$ 4,261,844	\$ (82,000)	\$ 91,443,331
Less: accumulated depreciation	(28,345,521)	(1,981,757)	82,000	(30,245,278)
Net investment capital outlay	\$ 58,917,966	\$ 2,280,087	\$ -	\$ 61,198,053

This year, the School District's additions of \$4,261,844 included multiple building and land improvements in all of the schools. The School District’s deletion was from the disposal of a bus.

D. Capital Projects

In June 2016, the School District issued \$2,450,000 of School Building Equipment Bonds, Series I. The bonds are to be used in all school buildings for technology improvements, safety and security enhancements, and bus purchases. The bonds were recorded in the 2016 Capital Projects Bond Fund. Major purchases to date included six new 88 passenger school buses, student Macbooks and Chromebooks, core switches, and security enhancements.

Results of Operations

The School District-Wide results of operations for the fiscal years ended June 30, is summarized in the table below:

	June 30, 2019	June 30, 2018
Revenues:		
General Revenues:		
Property taxes levied for general operations	\$ 5,876,349	\$ 5,796,455
Property taxes levied for debt service	4,084,149	3,921,040
Property taxes levied for capital projects	1,045,678	1,000,560
State of Michigan unrestricted foundation aid	17,418,893	16,547,477
Interest and investment earnings	123,744	52,149
Other general revenues	58,625	63,383
Total general revenues	<u>\$ 28,607,438</u>	<u>\$ 27,381,064</u>
Capital Grants and Contributions:		
Capital contributions	\$ 1,298,844	\$ 1,544,048
Total capital grants and contributions	<u>\$ 1,298,844</u>	<u>\$ 1,544,048</u>
Operating Grants and Contributions:		
Federal	\$ 815,779	\$ 681,556
State of Michigan	4,024,108	3,862,973
Other operating grants	625,823	205,788
Total operating grants	<u>\$ 5,465,710</u>	<u>\$ 4,750,317</u>
Charges for Services:		
Food service	\$ 672,603	\$ 719,616
Athletics	168,760	177,167
Other charges for services	110,576	77,895
Total charges for services	<u>\$ 951,939</u>	<u>\$ 974,678</u>
Total revenues	<u>\$ 36,323,931</u>	<u>\$ 34,650,107</u>
Expenses:		
Instruction and instructional support	\$ 17,881,857	\$ 16,153,485
Support services	9,998,874	9,664,458
Community services	38,009	44,818
Food service	1,324,707	1,183,885
Athletics	813,101	820,527
Interest on long-term debt	1,683,641	1,758,709
Depreciation (unallocated)	1,981,757	2,322,792
Total expenses	<u>\$ 33,721,946</u>	<u>\$ 31,948,674</u>
Change in Net Position	<u>\$ 2,601,985</u>	<u>\$ 2,701,433</u>
Beginning Net Position	<u>(30,104,369)</u>	<u>(32,805,802)</u>
Ending Net Position	<u>\$ (27,502,384)</u>	<u>\$ (30,104,369)</u>

State of Michigan Unrestricted Aid (Net State Foundation Grant)

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

1. State of Michigan State Aid Act per student foundation allowance,
2. Student Enrollment - Blended at 90 percent of current year fall count and 10 percent of the current year winter count, and
3. The School District’s non-homestead levy.

Per Student Foundation Allowance

Annually, the State of Michigan sets the per student foundation allowance. The St. Joseph Public Schools' foundation allowance, paid by the State of Michigan, for the fiscal year 2019 was \$7,877 per student which is a \$240 increase from the fiscal year 2018 foundation allowance of \$7,637.

The State of Michigan has announced the per pupil foundation at \$8,117 for fiscal year 2019-2020.

Student Enrollment

The School District’s enrollment increased from the prior year’s student count. The following summarizes blended student enrollments in the past five years:

<u>Fiscal Year</u>	<u>Student FTE</u>	<u>FTE Change from Prior Year</u>
2018-2019	2,999	36
2017-2018	2,963	(28)
2016-2017	2,991	66
2015-2016	2,925	8
2014-2015	2,917	6

Subsequent to year end June 30, 2019, preliminary student enrollments for 2019-2020 indicate that enrollments will be slightly higher than 2018-2019.

Property Taxes Levied for General Operations (General Fund Non-Homestead Taxes)

The School District levies property taxes for operations (General Fund) of 18 mills on Non-Personal Residence exemption properties and 6 mills on Commercial Personal Property. Under Michigan law, the taxable levy is based on the taxable valuation of the properties. Annually the taxable valuation increase in property values is capped at the rate of the prior year’s CPI increase or 5 percent, whichever is less. At the time of sale, a property’s taxable valuation is readjusted to the State Equalized Value, which is, theoretically, 50 percent of market value. The School District's non-homestead property levy for the 2018-2019 fiscal year generated \$5,852,841. The funds received from the non-homestead tax levy increased by 2.39 percent from the prior year.

Property Taxes Levied for General Operations (General Fund Non-Homestead Taxes), Concluded

The following summarizes the School District's non-homestead levy over the past five years:

<u>Fiscal Year</u>	<u>Non-Homestead Tax Levy</u>	<u>% Increase (decrease) from Prior Year</u>
2018-2019	\$ 5,852,841	2.39%
2017-2018	5,715,959	1.50%
2016-2017	5,631,533	-0.70%
2015-2016	5,671,186	0.60%
2014-2015	5,637,635	0.80%

Debt Administration and Capital Projects Sinking Fund

The School District’s debt and capital projects sinking fund levies are based on the taxable valuation of all properties: homestead and non-homestead. The debt fund levy is used to pay principal and interest on bond obligations and the capital projects sinking fund is for capital improvements in the School District. The taxpayers have authorized debt levies that will fund the debt principal payments of \$42,868,387 through 2035.

For 2018-2019, the School District's debt millage levy was 3.90 mills that generated a levy of \$4,077,769. The capital projects sinking fund levy was .9946 mills and generated a levy of \$1,042,111.

Food Sales to Students & Adults (School Lunch Program)

The total expenditures in the Food Service Fund exceeded the revenues and transfers in for the year by \$142,011. This year, the School District received \$27,291 less in federal sources. The School District’s food and milk sales to students and adults decreased by \$47,013. This was a result of the high number of inclement weather school closings. In recent years, food costs have increased due to newer nutrition guidelines that require the School District to provide healthier food choices to the students. The School District continues to strive to offer the best pricing and service possible.

General Fund Expenditures Budget vs. Actual—Five Year History

	<u>Expenditures Preliminary Budget</u>	<u>Expenditures Final Budget</u>	<u>Expenditures Final Audit</u>	<u>Variance: Audit vs. Prelim Budget</u>	<u>Variance: Audit vs. Final Budget</u>
2018-2019	\$ 27,785,993	\$ 28,811,875	\$28,494,358	-2.55%	1.10%
2017-2018	26,653,619	27,165,577	27,019,483	-1.37%	0.54%
2016-2017	25,602,864	26,512,421	25,948,977	-1.35%	2.13%
2015-2016	24,710,094	25,652,143	25,535,507	-3.34%	0.45%
2014-2015	24,352,938	25,382,557	25,543,293	-4.89%	-0.63%
	Five Year Average (Over/-Under) Budget			-2.70%	0.72%

General Fund Revenues Budget vs. Actual—Five Year History

	Revenues Preliminary Budget	Revenues Final Budget	Revenues Final Audit	Variance: Audit vs. Prelim Budget	Variance: Audit vs. Final Budget
2018-2019	\$ 28,130,861	\$ 29,138,070	\$29,141,437	3.59%	0.01%
2017-2018	27,091,421	27,439,769	27,459,874	1.36%	0.07%
2016-2017	25,820,265	26,918,569	26,938,017	4.33%	0.07%
2015-2016	24,696,302	25,630,045	25,656,217	3.89%	0.10%
2014-2015	24,444,945	25,389,746	25,532,672	4.45%	0.56%
	Five Year Average (Over/-Under) Budget			3.52%	0.16%

Original vs. Final Budget

The Uniform Budget and Accounting Act of the State of Michigan requires that the local Board of Education approve the original budget for the upcoming fiscal year prior to July 1, the start of the fiscal year. As a matter of practice, St. Joseph Public Schools amends its budget during the school year. For the fiscal year June 30, 2019, the budget was amended in December, March, and June of 2019.

Factors Bearing on the School District's Future

Our elected officials and administration considered many factors when setting the School District's 2019-2020 fiscal year budget. One of the most important factors affecting the budget is our student count. The State Foundation Allowance is determined by multiplying the blended student count by the foundation allowance per pupil. The blended count for the 2019-2020 fiscal year is 10 percent and 90 percent of the February 2019 and September 2019 student counts, respectively. The 2019-2020 fiscal year budget was adopted in June 2019, based on an estimated number of students that will be enrolled in September 2019. Approximately 75 percent of total General Fund revenue is from the foundation allowance. Under State law, the School District cannot assess additional property tax revenue for general operations. As a result, School District funding is heavily dependent on the State's ability to fund local school operations. Based on early enrollment data at the start of the 2019 fiscal year, we anticipate that the fall student count could be slightly higher for the estimate used in creating the 2019-2020 fiscal year operating budget. Once the final count and related per pupil funding are validated the budget will then be amended.

Contacting the School District's Financial Management

The financial report is designed to provide the School District's citizens, taxpayers, customers, investors, and creditors with a general overview of the School District's finances and to demonstrate the School District's accountability for money it receives. If you have questions about this report or need additional financial information, contact our Business Department of St. Joseph Public Schools at 3275 Lincoln Avenue, St. Joseph, Michigan.

	<u>Governmental Activities</u>
Assets	
Current assets:	
Cash and cash equivalents	\$ 1,506,497
Investments	3,083,597
Receivables	123,203
Due from other governmental units	3,891,297
Inventories	10,417
Prepaid expenditures	109,879
Total current assets	<u>\$ 8,724,890</u>
Noncurrent assets:	
Capital assets, not being depreciated	\$ 1,077,901
Capital assets, depreciated	90,365,430
Less: accumulated depreciation	(30,245,278)
Total noncurrent assets	<u>\$ 61,198,053</u>
Deferred Outflows of Resources	
Deferred interest charges on bond issuance	\$ 1,464,254
Deferred outflows of resources related to pensions	15,455,071
Deferred outflows of resources related to OPEB	2,296,408
Total deferred outflows of resources	<u>\$ 19,215,733</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 89,138,676</u>
Liabilities	
Current liabilities:	
Accounts payable	\$ 302,305
Accrued payroll and other liabilities	2,666,759
Unearned revenue	104,516
Accrued interest payable	297,294
Capital lease - due within one year	20,571
Notes and bonds payable - due within one year	2,627,991
Compensated absences - due within one year	15,467
Total current liabilities	<u>\$ 6,034,903</u>
Noncurrent liabilities:	
Capital lease - due in more than one year	\$ 55,655
Notes and bonds payable - due in more than one year	41,704,650
Compensated absences - due in more than one year	139,202
Net pension liability	47,532,710
Net OPEB liability	12,457,608
Total noncurrent liabilities	<u>\$ 101,889,825</u>
Total Liabilities	<u>\$ 107,924,728</u>
Deferred Inflows of Resources	
Deferred inflows of resources related to pensions	\$ 5,721,855
Deferred inflows of resources related to OPEB	2,994,477
Total deferred inflows of resources	<u>\$ 8,716,332</u>
Total Liabilities and Deferred Inflows of Resources	<u>\$ 116,641,060</u>
Net Position (Deficit)	
Net investment in capital assets	\$ 18,329,666
Restricted for:	
Capital Projects	102,788
Debt Service	728,880
Unrestricted	(46,663,718)
Total Net Position (Deficit)	<u>\$ (27,502,384)</u>

The Notes to Financial Statements are an integral part of this statement.

ST. JOSEPH PUBLIC SCHOOLS

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2019

Functions/Programs	Program Revenues			Governmental Activities	
	Expenses	Charges for Services	Operating Grants/Contributions	Capital Grants/Contributions	Net (Expense) Revenue and Changes in Net Position
Primary government -					
Governmental activities:					
Instruction	\$ 17,881,857	\$ 62	\$ 2,668,314	\$ -	\$ (15,213,481)
Support services	9,998,874	110,514	2,299,455	1,298,844	(6,290,061)
Community services	38,009	-	-	-	(38,009)
Food services	1,324,707	672,603	497,941	-	(154,163)
Athletics	813,101	168,760	-	-	(644,341)
Interest on long-term debt	1,683,641	-	-	-	(1,683,641)
Depreciation (unallocated)	1,981,757	-	-	-	(1,981,757)
	<u>\$ 33,721,946</u>	<u>\$ 951,939</u>	<u>\$ 5,465,710</u>	<u>\$ 1,298,844</u>	<u>\$ (26,005,453)</u>
General revenues:					
Taxes:					
Property taxes, levied for general purposes				\$ 5,876,349	
Property taxes, levied for debt purposes				4,084,149	
Property taxes, levied for capital project purposes				1,045,678	
State aid not restricted to specific purposes				17,418,893	
Interest and investment earnings				123,744	
Other				58,625	
Total general revenues				<u>\$ 28,607,438</u>	
Change in Net Position				\$ 2,601,985	
Net Position (Deficit) - beginning of year					<u>(30,104,369)</u>
Net Position (Deficit) - end of year					<u><u>\$ (27,502,384)</u></u>

The Notes to Financial Statements are an integral part of this statement.

ST. JOSEPH PUBLIC SCHOOLS

BALANCE SHEET – GOVERNMENTAL FUNDS

JUNE 30, 2019

	General Fund	Other Non-Major Governmental Funds	Total
Assets			
Cash and cash equivalents	\$ 910,548	\$ 595,949	\$ 1,506,497
Investments	2,779,767	303,830	3,083,597
Accounts receivable	123,203	-	123,203
Due from other governmental units	3,881,440	9,857	3,891,297
Inventory	-	10,418	10,418
Total Assets	\$ 7,694,958	\$ 920,054	\$ 8,615,012
Liabilities, Deferred Inflows of Resources and Fund Balances			
Liabilities			
Accounts payable	\$ 302,305	\$ -	\$ 302,305
Accrued payroll and related liabilities	2,666,759	-	2,666,759
Unearned revenue	65,852	38,664	104,516
Total Liabilities	\$ 3,034,916	\$ 38,664	\$ 3,073,580
Deferred Inflows of Resources			
Receivables for use in subsequent year "unavailable revenue"	\$ 12,803	\$ -	\$ 12,803
Fund Balances			
Non-spendable - inventory	\$ -	\$ 10,418	\$ 10,418
Restricted for debt retirement	-	728,880	728,880
Restricted for capital projects	-	102,788	102,788
Restricted for food service	-	39,304	39,304
Unassigned	4,647,239	-	4,647,239
Total Fund Balances	\$ 4,647,239	\$ 881,390	\$ 5,528,629
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 7,694,958	\$ 920,054	\$ 8,615,012

The Notes to Financial Statements are an integral part of this statement.

ST. JOSEPH PUBLIC SCHOOLS**RECONCILIATION OF BALANCE SHEET OF GOVERNMENTAL FUNDS TO NET POSITION****JUNE 30, 2019****Total Fund Balances - Governmental Funds** \$ 5,528,629

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

Deferred outflows of resources related to:

Pensions 15,455,071
OPEB 2,296,408

Deferred interest charges from bond refundings not capitalized in the governmental funds 1,464,254

Contributions receivable earned but not received within 60 days 12,803

Prepaid bond insurance costs 109,879

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

Cost of the capital assets 91,443,331
Accumulated depreciation (30,245,278)

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

Notes and bonds payable (41,065,000)
Capital lease (76,227)
Bond premium associated with bonds (3,267,641)
Compensated absences (154,669)

Net pension liability (47,532,710)

Net OPEB liability (12,457,608)

Deferred inflows of resources related to pension changes in assumptions and changes in differences actual earnings on plan investments

Pensions (3,993,569)
OPEB (2,994,477)

Deferred inflows from revenue in support of pension contributions made subsequent to the measurement date (1,728,286)

Accrued interest payable is not included as a liability in governmental funds (297,294)

Total Net Position (Deficit) - Governmental Activities \$ **(27,502,384)***The Notes to the Financial Statements are an integral part of this statement.*

ST. JOSEPH PUBLIC SCHOOLS

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

	General Fund	Other Non-Major Governmental Funds	Total
Revenues			
Property taxes	\$ 5,876,349	\$ 5,129,827	\$ 11,006,176
Local sources	609,480	1,971,447	2,580,927
State sources	21,388,276	54,725	21,443,001
Federal sources	372,563	443,216	815,779
Interdistrict sources	556,361	-	556,361
Athletic sources	168,760	-	168,760
Earnings on investments	72,030	51,714	123,744
Miscellaneous revenue	-	58,625	58,625
Total Revenues	\$ 29,043,819	\$ 7,709,554	\$ 36,753,373
Expenditures			
Instruction and instructional support services	\$ 17,331,956	\$ -	\$ 17,331,956
Supporting services	10,322,740	1,315,045	11,637,785
Community services	36,370	-	36,370
Athletics	795,072	-	795,072
Capital outlay	-	4,059,961	4,059,961
Debt service:			
Principal on long-term debt	-	2,140,000	2,140,000
Interest on long-term debt	-	1,858,507	1,858,507
Total Expenditures	\$ 28,486,138	\$ 9,373,513	\$ 37,859,651
Excess (Deficit) of Revenues Over (Under) Expenditures	\$ 557,681	\$ (1,663,959)	\$ (1,106,278)
Other Financing Sources (Uses)			
Operating transfers in	\$ 10,000	\$ 8,220	\$ 18,220
Operating transfers out	(8,220)	(10,000)	(18,220)
Proceeds from lease	87,618	-	87,618
Total Other Financing Sources (Uses)	\$ 89,398	\$ (1,780)	\$ 87,618
Net Change in Fund Balances	\$ 647,079	\$ (1,665,739)	\$ (1,018,660)
Fund Balances - Beginning of year	4,000,160	2,547,129	6,547,289
Fund Balances - End of year	\$ 4,647,239	\$ 881,390	\$ 5,528,629

The Notes to the Financial Statements are an integral part of this statement.

ST. JOSEPH PUBLIC SCHOOLS**RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCES OF GOVERNMENTAL FUNDS TO STATEMENT OF ACTIVITIES**

Net Change in Fund Balances - Total Governmental Funds		\$ (1,018,660)
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	\$ (1,981,757)	
Capitalized capital outlay	4,261,844	
Total		2,280,087
The issuance of long-term debt provides current financial resources to governmental funds, while the repayments of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. This amount is the net effect of those differences in the treatment of long-term debt and related items:		
Capital lease proceeds		(87,618)
Decrease in accrued interest		9,841
Decrease in the liability for compensated absences not reported in the governmental funds		4,887
Current year use of deferred interest charges associated with the issuance of advance refunding bonds		(161,099)
Governmental funds report prepaid bond insurance costs as expenditures; in the statement of activities, these costs are allocated over the life of the bonds		(6,867)
Current year change in contributions not available within 60 days after year-end		(8,343)
Amortization of bond premiums for refunding bonds		332,991
Change in benefit expense related to pension plan		(1,352,459)
Change in benefit expense related to OPEB		532,935
Revenue in support of pension contributions made subsequent to the measurement date		(75,101)
Repayment of bond and note payable principal is an expenditure in the governmental funds, but not in the statement of activities (where it reduces long-term debt)		2,140,000
Repayment of lease principal is an expenditure in the governmental funds, but not in the statement of activities (where it reduces long-term debt)		11,391
Change in Net Position of Governmental Activities		\$ 2,601,985

The Notes to the Financial Statements are an integral part of this statement.

ST. JOSEPH PUBLIC SCHOOLSSTATEMENTS OF FIDUCIARY NET POSITION AND CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS**Statement of Fiduciary Net Position**

June 30, 2019

	Private-Purpose Trusts Scholarship Fund	Agency Fund- Student Activities	Total
Assets:			
Cash and cash equivalents	\$ 45,621	\$ 472,828	\$ 518,449
Total assets	\$ 45,621	\$ 472,828	\$ 518,449
Liabilities:			
Due to student groups	\$ -	\$ 472,828	\$ 472,828
Total liabilities	\$ -	\$ 472,828	\$ 472,828
Net Position:			
Reserved for scholarships	\$ 45,621	\$ -	\$ 45,621
Total net position	\$ 45,621	\$ -	\$ 45,621

Statement of Changes in Fiduciary Net Position

For the Year Ended June 30, 2019

	Private-Purpose Trusts Scholarship Fund
Additions:	
Interest	\$ 119
Donations	1,700
Deductions:	
Scholarships awarded	(2,500)
Change in net position	\$ (681)
Net Position-Beginning	46,302
Net Position-Ending	\$ 45,621

The Notes to the Financial Statements are an integral part of this statement.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of St. Joseph Public Schools (the “School District”) conform to accounting principles generally accepted in the United States of America (“GAAP”) as applicable to governmental units and with the rules prescribed in the accounting manual by the Michigan Department of Education. The following is a summary of the significant accounting policies used by the School District:

Reporting Entity

The School District is governed by an elected seven-member Board of Education. The accompanying financial statements have been prepared in accordance with criteria established by the Governmental Accounting Standards Board (“GASB”) for determining the various governmental organizations to be included in the reporting entity. These criteria include significant operational financial relationships that determine which of the governmental organizations are a part of the School District’s reporting entity, and which organizations are legally separate, component units of the School District. Based on the application of the criteria, the School District does not contain any component units.

District-Wide and Fund Financial Statements

The School District -wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. All the School District’s government-wide activities are considered governmental activities.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segments are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenue includes (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes, intergovernmental payments, and other items not properly included among program revenues are reported instead as general revenue.

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

Measurement Focus, Basis of Accounting and Financial Statement Presentation

School District-Wide Statements – The School District -wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

School District-Wide Statements (concluded) – Revenue is 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 revenue in the year for which they are levied. Grants, categorical aid and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. As a general rule, the effect of inter-fund activity has been eliminated from the school district-wide financial statements.

Fund Based Statements – Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and severance pay, are recorded only when payment is due.

Property taxes, unrestricted state aid, intergovernmental grants and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenue of the current fiscal period. All other revenue items are considered to be available only when cash is received by the government. The fiduciary fund statement is also reported using the economic resources measurement focus and the accrual basis of accounting.

The School District reports the following major governmental fund:

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

Additionally, the School District reports the following fund types:

Special Revenue Funds are used to account for the specific revenue sources that are restricted or committed to expenditures for specific purposes other than debt service or capital projects. As of June 30, 2019, the special revenue fund maintained by the School District is the Food Services Fund.

Capital Projects Funds are used to account for financial resources that are restricted for capital outlays, including the acquisition or construction of capital facilities and other capital assets. As of June 30, 2019, the non-major capital projects funds maintained by the School District are the Capital Projects Sinking Fund, the 2016 Capital Projects Bond Fund, the Capital Projects Turf Fund, the Capital Projects Robotics Fund, and the Capital Projects EP Clarke Fund.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Debt Retirement Funds are used to account for financial resources that are restricted for principal and interest. As of June 30, 2019, the debt retirement funds maintained by the School District are the 2016 Debt Service Fund, 2005/2010/2015 B Debt Service Fund, and the 2010/2013/2015 A Debt Service Fund.

Fiduciary Funds are used to account for assets held by the School District in a trustee capacity or as an agent. Fiduciary Fund net position and results of operations are not included in the school district-wide statements. Agency Funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

The School District presently maintains a Student Activities Fund to record the transactions of student and parent groups for school and school-related purposes. The funds are segregated and held in trust for the students and parents. The School District also maintains a Scholarship Fund to pay for scholarships for selected high school students. These scholarships are paid from the principal and investment earnings of the fund, and are treated as private-purpose trusts.

Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Net Position or Equity

Deposits and Investments – Cash and cash equivalents include cash on hand, demand deposits and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

Receivables and Payables – In general, outstanding balances between funds are reported as “due to/from other funds.” Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as “advances to/from other funds.”

Property tax and other trade receivables are shown net of an allowance for uncollectible amounts. For St. Joseph Public Schools, taxpayers in the City of St. Joseph and St. Joseph, Royalton, and Lincoln Townships, properties are assessed as of December 31st and the related property taxes are levied and become a lien on July 1st for 100 percent of the taxes which are due September 15th. The final collection date is February 28th, after which uncollected taxes are added to the Berrien County delinquent tax rolls.

The State of Michigan utilizes a foundation allowance approach, which provides for a specific annual amount of revenue per student based on a statewide formula. The foundation allowance is funded from a combination of state and local sources. Revenues from state sources are primarily governed by the School Aid Act and the School Code of Michigan. The state portion of the foundation is provided from the state’s School Aid Fund and is recognized as revenue in accordance with state law and accounting principles generally accepted in the United States of America.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED**Receivables and Payables (Concluded)**

The School 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 categorical funds require an accounting to the State of the expenditures incurred. For categorical funds meeting this requirement, funds received, which are not expended by the close of the fiscal year is recorded as unearned revenue. Other categorical funding is recognized when the appropriation is received.

Inventories – Inventories are valued at cost on a first-in, first-out (FIFO) basis. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased. United States Department of Agriculture Commodities inventory received by the Food Service Fund are recorded as inventory.

Prepaid Items – Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both school district-wide and fund financial statements.

Capital Assets – Capital assets, which include land, buildings, equipment, and vehicles are reported in the applicable governmental column in the School District -wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Costs of normal repair and maintenance that do not add to the value or materially extended asset life are not capitalized. The School District does not have infrastructure type assets. Buildings, equipment, and vehicles are depreciated using the straight-line method over the following useful lives:

Buildings and additions	20-50 years
Buses and other vehicles	5-10 years
Furniture and other equipment	5-20 years
Land Improvements	10-20 years

Deferred Outflows of Resources – 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 School District has three items that qualifies for reporting in this category. It is the deferred outflow related to the pension plan, the deferred outflow related to the OPEB and the deferred outflow of charges for the bond refunding.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Compensated Absences – The liability for compensated absences reported in the School District -wide financial statements consists of unpaid, accumulated sick leave balances. The liability has been calculated using the vesting method, in which leave amounts for employees who currently are eligible to receive termination payments. The amount reported is salary related and includes fringe benefits.

Long-Term Obligations – In the School District -wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net position. Where applicable, premiums and discounts, are capitalized and amortized over the life of the bonds. Bond issuance costs except for prepaid insurance, is expensed.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. Premiums received on debt issuances are reported as other financing sources while discounts are reported as other financing uses. Issuance costs are reported as debt service expenditures.

Deferred Inflows of Resources – 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 will not be recognized as an inflow of sources (revenue) until that time. The governmental funds report unavailable revenues, which arise only under a modified accrual basis of accounting, for long-term receivables unavailable and recognized as an inflow of resources in the period that amounts become available. The School District's two items that qualify for reporting in this category are the deferred inflows related to the pension plan and the deferred inflows related to OPEB.

Comparative Data – Comparative data is not included in the School District's financial statements.

Estimates – The process of preparing financial statements in conformity with accounting principles generally accepted in the United States of America requires the use of management estimates and assumptions regarding certain types of assets, deferred outflows of resources, liabilities, deferred inflows of resources, revenues and expenditures.

Fund Equity – The School District has adopted GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. The objective of this statement is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied. This statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED**Fund Equity - (Concluded)**

The following are the School District's fund balance classifications:

Non-spendable Fund Balance – includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.

Restricted Fund Balance – includes amounts that can be spent only for specific purposes stipulated by what the external resource provides (for example grant providers, constitutionally, or through enabling legislation). Effectively, restrictions may be changed or lifted only with the consent of resource providers.

Committed Fund Balance – includes amounts that can be used only for specific purposes determined by a formal action of the government's highest level of decision-making authority. Commitments may be changed or lifted only by the government taking the same formal action that imposed constraint originally.

Assigned Fund Balance – includes amounts that are constrained by the government's intent to be used for a specific purpose, but are neither restricted nor committed.

Unassigned Fund Balance – is the residual classification for General Fund. This classification represents governmental fund balances that have not been assigned to other funds or that have not been restricted, committed, or assigned to specific purposes within the respective governmental fund balances.

Fund Equity Flow Assumptions – Sometimes the School 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 School District's policy to consider restricted fund balance to have been depleted before using any 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.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONCLUDED

Net Position Flow Assumption – Sometimes the School District will fund outlays for particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts of net position to report as restricted and unrestricted in the school district-wide financial statements, a flow assumption must be made about the order in which the resources are considered to be applied.

It is the School District's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

Pension and Other Postemployment Benefit (OPEB) Plans – For the purposes of measuring the net pension and OPEB liabilities, deferred outflows of resources and deferred inflows of resources related to each plan, and pension and OPEB expense, information about the fiduciary net position of the Michigan Public School Employees' Retirement System (MPERS) and additions to/deductions from MPERS fiduciary net position have been determined on the same basis as they are reported by MPERS. Contribution revenue is recorded as contributions are due, pursuant to legal requirements. For this purpose, benefit payments (including refunds of the employee contributions) are recognized as expense when due and payable in accordance with the benefit terms. Investments are reported at fair value.

NOTE 2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information — Annual budgets are adopted on a basis consistent with generally accepted accounting principles and state law for the general and special revenue funds. All annual appropriations lapse at fiscal year-end.

The budget document presents information by fund and function. The legal level of budgetary control adopted by the governing body (i.e. the level at which expenditures may not legally exceed appropriations) is the function level. State law requires the School District to have its budget in place by July 1. Expenditures in excess of amounts budgeted is a violation of Michigan Law. State law permits districts to amend its budgets during the year.

Encumbrance accounting is employed in governmental funds. Amounts encumbered for purchase orders, contracts, etc. are not tracked during the year. Budget appropriations are considered to be spent once the goods are delivered or the services rendered. There were no encumbrances at year end.

Excess of Expenditures Over Appropriations in Budgeted Funds — See the School District's budgetary comparison schedule for the General Fund for budget variances. Funds sufficient to provide for the excess of expenditures were made available from other functions within the fund, and had no impact on the financial results of the School District.

Net Position Deficit – As of June 30, 2019, the Government-wide Statement of Net Position had a cumulative net position deficit of \$27,502,384.

NOTE 3. DEPOSITS AND INVESTMENTS

As of June 30, 2019, the School District’s deposits and investments include the following:

	Cash and Cash			
	Equivalents	Investments	Fiduciary Funds	Total
Cash on hand	\$ 2,845	\$ -	\$ -	\$ 2,845
Deposits	1,503,652	-	518,449	2,022,101
Investments	-	3,083,597	-	3,083,597
	<u>\$ 1,506,497</u>	<u>\$ 3,083,597</u>	<u>\$ 518,449</u>	<u>\$ 5,108,543</u>

Bank Deposits: All cash of the School District is on deposit with financial institutions which provide FDIC insurance coverage or in highly liquid pooled money funds.

Custodial Credit Risk-Deposits: In the case of deposits, this is the risk that in the event of a bank failure, the School District’s deposits may not be returned to it. As of June 30, 2019, \$1,768,714 of the School District’s bank balance of \$2,769,478 was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institution’s trust department or agent, but not in the School District’s name

Investments: Michigan law permits investments in: 1) Bonds and other obligations of the United States Governments, 2) Certificates of deposit and savings accounts of banks or credit unions who are members of the FDIC and FSLIC, respectively, 3) Certain commercial paper, 4) United States Government repurchase agreements, 5) Banker’s acceptance of the United States Bank, and 6) Certain mutual funds. The School District has put further restrictions on those investments through its current policy, and the following investment is permitted by law and policy.

Investment Type	Fair Value	Current	Investment Maturities		
			1 - 5 years	6 - 10 years	More than 10
Investment Pools	\$ 3,083,597	\$ 3,083,597	\$ -	\$ -	\$ -
Total Investments	<u>\$ 3,083,597</u>	<u>\$ 3,083,597</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Interest Rate Risk: In accordance with its investment policy, the School District will minimize interest rate risk, which is the risk that the market value of securities in the 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 School District’s cash requirements.

NOTE 3. DEPOSITS AND INVESTMENTS, CONCLUDED

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 (“NRSRO’s”). As of June 30, 2019, the School District’s investments were rated AAAM by Standard’s & Poors.

Concentration of Credit Risk: The School District will minimize concentration of credit risk, which is the risk of loss attributed to the magnitude of the School 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. The majority of the school’s investments are held in multiple asset backed securities and U.S. Treasury/Agency securities.

Custodial Credit Risk—Investments: For an investment, this is the risk that in the event of bank failure of the counterparty, the School District will not be able to recover the value of its investments or collateral securities that are in possession of an outside party. As of June 30, 2019, no investments were subject to custodial credit risk.

NOTE 4. FAIR VALUE MEASUREMENT

The School District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. Investments that are measured at fair value using the net asset value per share (or its equivalent) as a practical expedient are not classified in the fair value hierarchy below.

In instances whereby inputs used to measure fair value fall into different levels in the above fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. The School District’s assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset.

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

	Fair Value Measurement Using			
	Quoted Prices in Active Markets for Identical Assets	Significant Observable Inputs	Significant Unobservable Inputs	
Balance at June 30, 2019	(Level 1)	(Level 2)	(Level 3)	
Investment Pools	\$ 3,083,597	\$ -	\$ 3,083,597	\$ -
Total Investments Measured at Fair Value	\$ 3,083,597	\$ -	\$ 3,083,597	\$ -

NOTE 5. RECEIVABLES AND PAYABLES

Receivables as of year-end for the School District's individual major funds, and the non-major funds and fiduciary funds in the aggregate, including any allowance for uncollectible amounts are as follows:

	General Fund	Other Non-Major	Total
Receivables:			
Intergovernmental	\$ 3,881,440	\$ 9,857	\$ 3,891,297
Trade	123,203	-	123,203
	<u>\$ 4,004,643</u>	<u>\$ 9,857</u>	<u>\$ 4,014,500</u>

Payables as of year-end for the School District's individual major funds, and the non-major and fiduciary funds in the aggregate, are as follows:

	General Fund	Other Non-Major	Total
Payables:			
Trade	\$ 302,305	\$ -	\$ 302,305
	<u>\$ 302,305</u>	<u>\$ -</u>	<u>\$ 302,305</u>

NOTE 6. RISK MANAGEMENT

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

NOTE 7. CAPITAL ASSETS

Capital asset activity of the School District’s governmental activities was as follows:

	July 1, 2018	Additions	Disposals	June 30, 2019
Assets not being depreciated:				
Land	\$ 1,077,901	\$ -	\$ -	\$ 1,077,901
Subtotal	\$ 1,077,901	\$ -	\$ -	\$ 1,077,901
Capital assets being depreciated:				
Building and building improvements	\$ 81,598,240	\$ 1,715,105	\$ -	\$ 83,313,345
Land improvements	1,522,639	1,529,252	-	3,051,891
Buses and other vehicles	1,438,058	245,320	(82,000)	1,601,378
Furniture and equipment	1,626,649	772,167	-	2,398,816
Subtotal	\$ 86,185,586	\$ 4,261,844	\$ (82,000)	\$ 90,365,430
Accumulated depreciation:				
Building and building improvements	\$ 25,078,114	\$ 1,779,584	\$ -	\$ 26,857,698
Land improvements	1,046,126	46,735	-	1,092,861
Buses and other vehicles	973,482	73,680	(82,000)	965,162
Furniture and equipment	1,247,799	81,758	-	1,329,557
Subtotal	\$ 28,345,521	\$ 1,981,757	\$ (82,000)	\$ 30,245,278
Net capital assets being depreciated	\$ 57,840,065			\$ 60,120,152
Net capital assets	\$ 58,917,966			\$ 61,198,053

Depreciation expense of \$1,981,757 was not charged to activities as the School District considers its assets to impact multiple activities and allocation is not practical.

NOTE 8. RELATED ORGANIZATIONS

The School District has established the St. Joseph Public School Foundation (the “Foundation”) that has a 501(c)(3) status with the Internal Revenue Service. As of June 30, 2019, the School District’s transactions with the Foundation were as follows:

Donations recognized in current period	\$ 340,211
Donations recognized in subsequent period	2,041
Total	<u>\$ 342,252</u>

During the year, the School District purchased services from Abonmarche Consultants for professional engineering services. A member of the Board of Education is a shareholder of this engineering firm. For the year ended June 30, 2019, the School District paid \$123,674 to Abonmarche Consultants for those professional services. All transactions were conducted at arms-length in accordance with Board policy.

NOTE 9. INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

During the year, the following transfers were made between funds:

Interfund Transfers:

Transfer In:	Transfer Out:	Amount
General Fund	Other Non-Major Governmental Funds - Food Service Fund	<u>\$ 10,000</u>
Other Non-Major Governmental Funds - Food Service Fund	General Fund	<u>\$ 8,220</u>

The Food Service Fund transferred \$10,000 to the General Fund for the indirect costs associated with running the Food Service Fund.

The General Fund transferred \$8,220 to the Food Service Fund for the portion of At-Risk funds allocated to the Food Service Funds.

NOTE 10. LONG-TERM DEBT

The School District issues bonds to provide for the acquisition and construction of major capital facilities and the acquisition of certain equipment. General obligation bonds are direct obligations and pledge the full faith and credit of the School District. Long-term obligation activity is summarized as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<i>Governmental Activities:</i>					
Bonds	\$ 43,205,000	\$ -	\$ (2,140,000)	\$ 41,065,000	\$ 2,295,000
Unamortized Premiums	3,600,632	-	(332,991)	3,267,641	332,991
Deferred outflow of resources					
Deferred charges on bond refunding	(1,625,353)	-	161,099	(1,464,254)	(161,099)
Total Long-Term Debt Worth	<u>\$ 45,180,279</u>	<u>\$ -</u>	<u>\$ (2,311,892)</u>	<u>\$ 42,868,387</u>	<u>\$ 2,466,892</u>

NOTE 10. LONG-TERM DEBT, CONTINUED

Governmental Activities:

At June 30, 2019, long-term debt consisted of:

\$22,100,000 - 2015 Refunding Bonds, Series A; payable in annual installments of \$305,000 to \$3,205,000 beginning 5/1/2027 through 5/1/2035; interest at 3.0% to 5.0%.	\$ 22,100,000
\$5,335,000 - 2010 Refunding Bonds; payable in annual installments of \$1,300,000 to \$1,365,000 beginning 5/1/2023 through 5/1/2026; interest at 3.5% to 3.75% .	5,335,000
\$6,895,000 - 2015 Refunding Bonds, Series B; payable in annual installments of \$555,000 to \$1,135,000 beginning 5/1/2016 through 5/1/2022; interest at 5.0%.	3,350,000
\$9,430,000 - 2013 Refunding Bonds; payable in annual installments of \$785,000 to \$1,895,000 beginning 5/1/2019 through 5/1/2027; interest at 2.0% to 4.0% .	8,645,000
\$2,450,000 -2016 School Building and Equipment Bonds, Series I (general obligation-unlimited tax); payable in annual installments of \$375,000 to \$210,000 beginning 5/1/2017 through 5/1/2026; interest at 1.0% to 2.0% .	1,635,000
	<u>\$ 41,065,000</u>

Annual debt service requirements to maturity for the above Governmental bond and note obligations are as follows:

<i>Governmental Activities:</i>			
	Principal	Interest	Total
2020	\$ 2,295,000	\$ 1,783,756	\$ 4,078,756
2021	2,205,000	1,701,006	3,906,006
2022	2,285,000	1,614,456	3,899,456
2023	2,445,000	1,525,306	3,970,306
2024	2,535,000	1,447,556	3,982,556
2025-2029	12,190,000	5,873,831	18,063,831
2030-2034	13,905,000	2,953,750	16,858,750
2035	3,205,000	160,250	3,365,250
Unamortized premium, net of deferred outflows	1,803,387	-	1,803,387
	<u>\$ 42,868,387</u>	<u>\$ 17,059,911</u>	<u>\$ 59,928,298</u>

Interest expense of \$1,683,641 was not charged to activities, as the School District considers its debt and related assets to impact multiple activities and allocation was not practical.

NOTE 10. LONG-TERM DEBT, CONCLUDED

Compensated absences at June 30, 2019 consist of the following:

	Beginning Balance	Net Change	Ending Balance	Due Within One Year
Compensated absences which are payable upon termination of employment.	\$ 159,556	\$ (4,887)	\$ 154,669	\$ 15,467

Advance Refunding – The School District has defeased 2005, 2010, 2013, and 2015 certain unlimited tax school improvement 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 defeased bonds are not included in the School District’s financial statements. As of June 30, 2019, \$47,185,000 of bonds considered defeased are still outstanding.

During the fiscal year 2005, the School District issued \$8,605,000 of unlimited tax refunding bonds, plus premium on capital appreciation bonds, to provide resources to place in escrow account for the purpose of generating resources for future debt service payments of \$14,608,050 of unlimited tax school improvement bonds. As a result, the refunded bonds are considered to be defeased and the liability has been removed from the School District -wide financial statements.

During fiscal year 2011, the School District issued \$8,195,000 of unlimited tax refunding bonds, less a discount on capital appreciation bonds, to provide resources to place in escrow account for the purpose of generating resources for future debt service payments of \$11,632,774 of unlimited tax school improvement bonds. As a result, the refunded bonds are considered to be defeased and the liability has been removed from the School District -wide financial statements.

During fiscal year 2014, the School District issued \$9,430,000 of unlimited tax refunding bonds, plus a premium on capital appreciation bonds, to provide resources to place in escrow account for the purpose of generating resources for future debt service payments of \$13,455,655 of unlimited tax school improvement bonds. As a result, the refunded bonds are considered to be defeased and the liability has been removed from the School District -wide financial statements.

During fiscal year 2015, the School District issued \$25,380,000 of unlimited tax refunding bonds, plus a premium on capital appreciation bonds, to provide resources to place in escrow account for the purpose of generating resources for future debt service payments of \$44,412,129 of unlimited tax school improvement bonds. As a result, the refunded bonds are considered to be defeased and the liability has been removed from the School District -wide financial statements.

During fiscal year 2015, the School District issued \$7,680,000 unlimited tax refunding bonds, plus a premium on capital appreciation bonds, to provide resources to place in escrow account for the purpose of generating resources for future debt service payments of \$9,092,600 of unlimited tax school improvement bonds. As a result, the refunded bonds are considered to be defeased and the liability has been removed from the School District -wide financial statements.

NOTE 11. MICHIGAN PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM

Plan Description - The School District participates in the Michigan Public School Employees' Retirement System (MPSERS or the "System"), a cost-sharing, statewide, multiple-employer defined benefit public employee retirement system governed by the State of Michigan that covers substantially all employees of the School District. Certain School District employees also receive defined contribution retirement and healthcare benefits through the System. The System provides retirement, survivor, and disability benefits to plan members and their beneficiaries. The System also provides postemployment healthcare benefits to retirees and beneficiaries who elect to receive those benefits.

The System is administered by the Office of Retirement Services (ORS). The System issues a publicly available financial report that includes financial statements and required supplementary information for the pension and other postemployment healthcare plans. That report is available on the ORS website at www.michigan.gov/orsschools.

Benefits Provided – Benefit provisions of the defined benefit (DB) pension plan and 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 for the defined benefit pension plan and the postemployment healthcare plan.

Depending on the plan option selected, member retirement benefits are calculated as final average compensation times years of services times a pension factor ranging from 1.25 percent to 1.50 percent. The requirements to retire range from attaining the age of 46 to 60 with years of service ranging from 5 to 30 years, depending on when the employee became a member. Early retirement is computed in the same manner as a regular pension, but is permanently reduced to 0.50 percent for each full and partial month between the pension effective date and the date the member will attain age 60. There is no mandatory retirement age.

Depending on the member's date of hire, MPSERS offers the option of participating in the defined contribution (DC) plan that provides a 50 percent employer match (up to 3 percent of salary) on employee contributions.

Members are eligible for nonduty disability benefits after 10 years of service and for duty-related disability benefits upon hire. Disability retirement benefits are determined in the same manner as retirement benefits, but are payable immediately without an actuarial reduction. The disability benefits plus authorized outside earnings are limited to 100 percent of the participant's final average compensation, with an increase of 2 percent each year thereafter.

Benefits may transfer to a beneficiary upon death and are determined in the same manner as retirement benefits, but with an actuarial reduction.

Benefit terms provide for annual cost-of-living adjustments to each employee's retirement allowance subsequent to the employee's retirement date. The annual adjustment, if applicable, is 3 percent. Some members who do not receive an annual increase are eligible to receive a supplemental payment in the years in which investment earnings exceed actuarial assumptions.

NOTE 11. MICHIGAN PUBLIC SCHOOL EMPLOYEES’ RETIREMENT SYSTEM, CONTINUED

MPSERS provides medical, prescription drug, dental, and vision coverage for retirees and beneficiaries. A subsidized portion of the premium is paid by MPSERS with the balance deducted from the monthly pension of each retiree healthcare recipient. Depending on the member's date of hire, this subsidized portion ranges from 80 percent to the maximum allowed by the statute.

Contributions - Public Act 300 of 1980, as amended, required the School District to contribute amounts necessary to finance the coverage of pension benefits of active and retired members. Contribution provisions are specified by state statute and may be amended only by action of the State Legislature. Under these provisions, each School District's contribution is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance a portion of the unfunded accrued liability.

Under the OPEB plan, retirees electing this coverage contribute an amount equivalent to the monthly cost for Part B Medicare and 10 percent, or 20 percent for those not Medicare eligible, of the monthly premium amount for the health, dental, and vision coverage at the time of receiving the benefits. The MPSERS board of trustees annually sets the employer contribution rate to fund the benefits. Participating employers are required to contribute at that rate.

Under Public Act 300 of 2012, members were given the choice between continuing the 3 percent contribution to the retiree healthcare and keeping the premium subsidy benefit described above, or choosing not to pay the 3 percent 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 percent employee contribution into their 457 account as of their transition date, earning them a 2 percent employer match into a 401(k) account. Members who selected this option stop paying the 3 percent contribution to the retiree healthcare as of the day before their transition date, and their prior contributions were deposited into their 401(k) account.

The School District’s contributions are determined based on employee elections. There are multiple different pension and healthcare benefit options included in the plan available to employees based on date of hire and the elections available at that time. Contribution rates are adjusted annually by the ORS. The range of rates is as follows for the plan year ending September 30, 2018:

Pension Contribution Rates		
Benefit Structure	Member	Employer
Basic	0.0 - 4.0%	17.89%
Member Investment Plan	3.0 - 7.0%	17.89%
Pension Plus	3.0 - 6.4%	16.61%
Pension Plus 2	6.20%	19.74%
Defined Contribution	0.00%	13.54%

OPEB Contribution Rates		
Benefit Structure	Member	Employer
Premium Subsidy	3.00%	6.44%
Personal Health Care Fund (PHF)	0.00%	6.13%

NOTE 11. MICHIGAN PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM, CONTINUED

The School District's required and actual pension contributions to the plan for the year ended September 30, 2018 were \$4,305,549. The School District's required and actual pension contributions include an allocation of \$1,728,286 in revenue received from the State of Michigan and remitted to the System to fund the MPSERS unfunded actuarial accrued liability (UAAL) stabilization rate for the year ended June 30, 2019.

The School District's required and actual OPEB contributions to the plan for the year ended September 30, 2018 were \$1,017,265.

Net Pension Liability – At June 30, 2019, the School District reported a liability of \$47,532,710 for its proportionate share of the MPSERS 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 as of September 30, 2017, which used updated procedures to roll forward the estimated liability to September 30, 2018. The School 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 School District's proportion was 0.15812 percent and 0.15949 percent, respectively.

Net OPEB Liability - At June 30, 2019, the School District reported a liability of \$12,457,608 for its proportionate share of the net OPEB liability. The net OPEB liability for fiscal year 2019 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 as of September 30, 2017, which used updated procedures to roll forward the estimated liability to September 30, 2018. The School 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 School District's proportion was 0.15672 and 0.15931 percent, respectively.

NOTE 11. MICHIGAN PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM, CONTINUED

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - For the year ended June 30, 2019, the School District recognized pension expense of \$5,894,263, inclusive of payments to fund the MPSERS UAAL stabilization rate. At June 30, 2019, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 220,561	\$ 345,412
Changes of assumptions	11,008,537	-
Net difference between projected and actual earnings on pension plan investments	-	3,250,029
Changes in proportion and differences between School District contributions and proportionate share of contributions	252,054	398,128
School District contributions subsequent to the measurement date*	3,973,919	-
Revenues in support of contributions subsequent to the measurement date	-	1,728,286
Total	<u>\$ 15,455,071</u>	<u>\$ 5,721,855</u>

Deferred inflows of resources of \$1,728,286 resulting from the pension portion of State Aid payments received pursuant to the UAAL payment will be recognized as state appropriations revenue for the year ending June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30	Amount:
2019	\$ 3,048,787
2020	2,275,686
2021	1,561,459
2022	601,651
	<u>\$ 7,487,583</u>

*The contributions subsequent to the measurement date will be included as a reduction of the net pension liability in the following year.

NOTE 11. MICHIGAN PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM, CONTINUED

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB - For the year ended June 30, 2019, the School District recognized OPEB expense of \$565,466. At June 30, 2019, the School District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 2,318,681
Changes of assumptions	1,319,267	-
Net difference between projected and actual earnings on pension plan investments	-	478,776
Changes in proportion and differences between School District contributions and proportionate share of contributions	603	197,020
School District contributions subsequent to the measurement date*	975,762	-
Total	<u>\$ 2,295,632</u>	<u>\$ 2,994,477</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows (note that employer contributions subsequent to the measurement date will reduce the net OPEB liability and, therefore, will not be included in future OPEB expense):

Year Ending June 30	Amount:
2019	\$ (407,693)
2020	(407,693)
2021	(407,693)
2022	(310,069)
2023	(141,459)
	<u>\$ (1,674,607)</u>

NOTE 11. MICHIGAN PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM, CONTINUED

Actuarial Assumptions - The total pension liability and total OPEB liability as of September 30, 2018 is based on the results of an actuarial valuation as of September 30, 2017 and rolled forward. The total pension and OPEB liabilities were determined using the following actuarial assumptions:

Actuarial Cost Method	Entry Age, Normal
Wage inflation rate	2.75%
Investment Rate of Return - Pension	6.00 - 7.05%
Investment rate of return - OPEB	7.15%
Projected salary increases	2.75 - 11.55%, including wage inflation at 2.75%
Healthcare cost trend rate	7.5%, Year 1 graded to 3.0% Year 12
Cost-of-Living Pension Adjustments	3% Annual Non-Compounded for MIP Members
Mortality:	Retirees: RP-2014 Male and Female Healthy Annuitant Mortality Tables, scaled by 82% for males and 78% for females and adjusted for mortality improvements using projection scale MP-2017 from 2006.
	Active Members: RP-2014 Male and Female Healthy Annuitant Mortality Tables, scaled by 100% and adjusted for mortality improvements using projection scale MP-2017 from 2006.

Assumption changes as a result of an experience study for the periods from 2012 to 2017 have been adopted by the System for use in the annual pension valuations beginning with the September 30, 2014 valuation.

Long-Term Expected Return on Plan Assets - The long-term expected rate of return on pension plan and OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of 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. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long Term Expected Real Rate of Return*
Domestic Equity Pools	28.0%	5.7%
Private Equity Pools	18.0%	9.2%
International Equity Pools	16.0%	7.2%
Fixed Income Pools	10.5%	0.5%
Real Estate and Infrastructure Pools	10.0%	3.9%
Absolute Return Pools	15.5%	5.2%
Short Term Investment Pools	2.0%	0.0%
TOTAL	<u>100.0%</u>	

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

NOTE 11. MICHIGAN PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM, CONTINUED

Rate of Return - For the plan year ended September 30, 2018, the annual money-weighted rate of return on pension plan investment, net of pension plan investment expense, and OPEB plan investment, net of OPEB plan investment expense, was 11.11% and 10.75%, respectively. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Discount Rate - The discount rate used to measure the total pension liability was 6.00 - 7.05 percent as of September 30, 2018, depending on the plan option. The discount rate used to measure the total OPEB liability was 7.15 percent as of September 30, 2018. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that district contributions will be made at statutorily required rates.

Based on those assumptions, the pension plans fiduciary net position and the OPEB plans fiduciary net position were projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan and OPEB plan investments was applied to all periods of projected benefit payments to determine the total pension liability and total OPEB liability.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate - The following presents the net pension liability of the School District, calculated using the discount rate, depending on the plan option. The following also reflects what the School District's 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:

1% Decrease	Current Single Discount Rate Assumption	1% Increase
<u>6.05% / 6.0% / 5.0% *</u>	<u>7.05% / 7.0% / 6.0% *</u>	<u>8.05% / 8.0% / 7.0% *</u>
\$ 62,406,778	\$ 47,532,710	\$ 35,174,778

* Discount rates listed in the following order: Basic, Member Investment Plan, and (MIP), Pension Plus, and Pension Plus 2.

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate - The following presents the net OPEB liability of the School District, calculated using the current discount rate. It also reflects what the School District's net OPEB 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:

1% Decrease	Current Discount Rate	1% Increase
<u>6.15%</u>	<u>7.15%</u>	<u>8.15%</u>
\$ 14,955,105	\$ 12,457,608	\$ 10,356,907

NOTE 11. MICHIGAN PUBLIC SCHOOL EMPLOYEES’ RETIREMENT SYSTEM, CONCLUDED

Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rate
- The following presents the net OPEB liability of the School District, calculated using the current healthcare cost trend rate. It also reflects what the School District’s net OPEB 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:

1% Decrease	Current Healthcare Cost Trend Rate	1% Increase
6.50%	7.50%	8.50%
\$ 10,246,245	\$ 12,457,608	\$ 14,994,492

Pension Plan and OPEB Plan Fiduciary Net Position - Detailed information about the plan's fiduciary net position is available in the separately issued MPSERS financial report.

Payable to the Pension Plan and OPEB Plan - At June 30, 2019, the School District reported a payable of \$270,278 and \$117,442 for the outstanding amount of contributions to the pension plan and OPEB plan, respectively, required for the year ended June 30, 2019.

NOTE 12. TAX ABATEMENTS

The School District receives reduced property tax revenues as a result of Industrial Facilities Tax exemptions and Brownfield Redevelopment Agreements granted by various municipalities within the School District. Industrial facility exemptions are intended to promote construction of new industrial facilities, or to rehabilitate historical facilities; Brownfield redevelopment agreements are intended to reimburse taxpayers that remediate environmental contamination on their properties. For the fiscal year ended June 30, 2019, the School District’s property tax revenues were reduced by \$418,187 under these programs.

NOTE 13. OTHER BENEFITS

The School District also provides 403(b) tax deferred annuity plans. All employees are eligible to participate in the plans and are fully vested immediately for all contributions.

The School District is also able to offer a tax deferred “buy-in” program for years of service for all eligible employees in the state-provided pension plan. The percentage rate for the employee’s contribution was calculated based on the previous year’s salary and age.

NOTE 14. CAPITAL PROJECTS SINKING FUND

The Capital Projects Sinking Fund records capital project activities funded with Sinking Fund millage. For this fund, the School District has complied with the applicable provisions of Section 1212 of the Revised School Code.

NOTE 15. CAPITAL PROJECTS BOND EXPENDITURES

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

Beginning with the year of bond issuance, The School District reported the annual construction activity in the 2016 Capital Projects Bond Fund. The project for which the 2016 Capital Projects Bond was issued was considered complete as of June 30, 2019 and the cumulative expenditures recognized for the construction period was \$2,525,382.

NOTE 16. OPERATING LEASES

In July 2012, the School Board approved a new seven year lease agreement with the St. Joseph Lincoln Senior Citizen Center. The lease is “rent free” through its entirety ending August 31, 2019. The School District estimates the estimated value of the “rent free” space is \$1,500 per month. Rent expense of \$18,000 was incurred for the fiscal year ended June 30, 2019.

NOTE 17. CAPITAL LEASES

The School District has a capital lease for copiers. The future minimum lease payments are as follows:

<u>Year Ending June 30</u>	<u>Principal</u>
2020	\$ 20,571
2021	21,966
2022	23,454
2023	10,236
Total minimum lease payments	\$ 76,227
Less amount representing interest	(9,091)
Present value of minimum lease payments	<u>\$ 67,136</u>
Assets	Amount
Equipment	\$ 87,618
Less accumulated depreciated	-
Net book value	<u>\$ 87,618</u>

NOTE 18. UNEARNED/UNAVAILABLE REVENUE

Governmental funds report revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also report unearned revenue recognition in connection with resources that have been received but not yet earned. At the end of the current fiscal year, the various components of unearned/unavailable revenue are as follows:

<u>Liability - Unearned Revenue</u>	<u>Food Services</u>	<u>General</u>	
	<u>Fund</u>	<u>Fund</u>	<u>Total</u>
Funds in students' lunch accounts at year-end	\$ 38,664	\$ -	\$ 38,664
Early Literacy Grant	-	37,836	37,836
At-Risk Carrover	-	25,965	25,965
St. Joseph Foundation Grant	-	2,041	2,041
Total	<u>\$ 38,664</u>	<u>\$ 65,842</u>	<u>\$ 104,506</u>
<u>Deferred Inflow - Unavailable</u>			
Booster contributions for donated band uniforms	\$ -	\$ 1,136	\$ 1,136
Booster contributions for donated scoreboards	-	11,667	11,667
Total	<u>-</u>	<u>12,803</u>	<u>12,803</u>

NOTE 19. CONTINGENT LIABILITIES

Grants – In the normal course of operations, the School District receives grant funds from various Federal and State agencies. The grant programs are subject to audit by agents of the granting authority, the purpose of which is to insure compliance with conditions precedent to the granting funds. Any liability for reimbursement which may arise as the result of these audits is not believed to be material.

NOTE 20. UPCOMING PRONOUNCEMENTS

In January 2017, the GASB issued Statement No. 84, *Fiduciary Activities*, which establishes criteria for identifying fiduciary activities of all state and local governments. Any activity meeting the criteria should be reported in a fiduciary fund in the basic financial statements. The School District is currently evaluating the impact this standard will have on the financial statements when adopted. The provisions of this statement are effective for the School District’s financial statements for the year ending June 30, 2020.

NOTE 20. UPCOMING PRONOUNCEMENTS, CONCLUDED

In June 2017, the GASB issued Statement No. 87, *Leases*, which improves accounting and financial reporting for leases by governments. This statement requires 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 of the right to use an 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. The School District is currently evaluating the impact this standard will have on the financial statements when adopted. The provisions of this statement are effective for the School District's financial statements for the year ending June 30, 2021.

NOTE 21. ADOPTION OF NEW PRONOUNCEMENTS

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

NOTE 22. SUBSEQUENT EVENTS

The School District has evaluated subsequent events through October 8, 2019, the date the financial statements were available to be issued. No events or transactions occurred during this period which requires recognition or disclosure in the financial statements.

**REQUIRED SUPPLEMENTARY
INFORMATION**

ST. JOSEPH PUBLIC SCHOOLS

REQUIRED SUPPLEMENTARY SCHEDULE
BUDGETARY COMPARISON SCHEDULE — GENERAL FUND
YEAR ENDED JUNE 30, 2019

	Original Budget	Final Amended Budget	Actual	Variance (Negative) Positive
Revenues				
Property taxes	\$ 5,714,538	\$ 5,870,050	\$ 5,876,349	\$ 6,299
Local sources	468,197	596,103	609,480	13,377
State sources	21,027,683	21,424,574	21,388,276	(36,298)
Federal sources	279,430	387,343	372,563	(14,780)
Interdistrict sources	448,151	557,218	556,361	(857)
Athletic sources	174,862	155,164	168,760	13,596
Earnings on investments	8,000	50,000	72,030	22,030
Total Revenues	\$ 28,120,861	\$ 29,040,452	\$ 29,043,819	\$ 3,367
Expenditures				
Instruction:				
Basic programs	\$ 15,191,047	\$ 15,191,968	\$ 15,056,636	\$ 135,332
Added needs	2,198,111	2,328,720	2,275,320	53,400
Supporting services:				
Pupil	1,222,759	1,295,791	1,297,070	(1,279)
Instructional staff	1,285,103	1,421,481	1,376,247	45,234
General administration	421,958	463,415	463,341	74
School administration	1,482,644	1,497,901	1,490,006	7,895
Business services	516,968	532,732	516,370	16,362
Operations and maintenance	3,065,974	3,125,359	3,093,764	31,595
Transportation	847,070	995,414	989,794	5,620
Technology/Communication	675,105	1,105,162	1,096,148	9,014
Community services	49,517	40,806	36,370	4,436
Athletics	821,462	804,906	795,072	9,834
Total Expenditures	\$ 27,777,718	\$ 28,803,655	\$ 28,486,138	\$ 317,517
Excess of Revenues Over Expenditures	\$ 343,143	\$ 236,797	\$ 557,681	\$ 320,884
Other Financing Sources (Uses)				
Operating transfers in	\$ 10,000	\$ 10,000	\$ 10,000	\$ -
Operating transfers out	(8,275)	(8,220)	(8,220)	-
Proceeds from lease	-	87,618	87,618	-
Total Other Financing Sources (Uses)	\$ 1,725	\$ 89,398	\$ 89,398	\$ -
Net Change in Fund Balances	\$ 344,868	\$ 326,195	\$ 647,079	\$ 320,884
Fund Balances - Beginning of year	4,000,160	4,000,160	4,000,160	
Fund Balances - End of year	\$ 4,345,028	\$ 4,326,355	\$ 4,647,239	

The Notes to Required Supplementary Information are an integral part of this statement

ST. JOSEPH PUBLIC SCHOOLS

REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF THE SCHOOL DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
 MICHIGAN PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM
 DETERMINED AS OF THE PLAN YEAR ENDED SEPTEMBER 30TH

	2018	2017	2016	2015	2014
School District's proportion of net pension liability	0.15812%	0.15949%	0.15770%	0.15875%	0.15921%
School District's proportionate share of net pension liability	\$47,532,710	\$41,331,328	\$39,347,841	\$38,774,207	\$35,067,772
School District's covered-employee payroll	\$13,318,107	\$13,440,641	\$13,271,629	\$13,401,946	\$13,637,853
School District's proportionate share of net pension liability as a percentage of its covered-employee payroll	356.90%	307.51%	296.48%	289.32%	257.14%
Plan fiduciary net position as a percentage of total pension liability	62.12%	63.96%	63.01%	62.92%	66.20%

The Notes to Required Supplementary Information are an integral part of this statement.

ST. JOSEPH PUBLIC SCHOOLS

REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF THE SCHOOL DISTRICT'S PENSION CONTRIBUTIONS
 MICHIGAN PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM
 AMOUNTS WERE DETERMINED AS OF THE YEAR ENDED JUNE 30TH

	2019	2018	2017	2016	2015
Statutorily required contributions	\$ 4,207,443	\$ 4,041,331	\$ 3,825,463	\$ 3,678,904	\$ 2,853,827
Contributions in relation to statutorily required contributions	4,207,443	4,041,331	3,825,463	3,678,904	2,853,827
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
School District's covered-employee payroll	\$ 13,932,270	\$ 13,309,299	\$ 13,885,070	\$ 13,427,369	\$ 13,419,865
Contributions as a percentage of covered-employee payroll	30.20%	30.36%	27.55%	27.40%	21.27%

The Notes to Required Supplementary Information are an integral part of this statement.

ST. JOSEPH PUBLIC SCHOOLS**REQUIRED SUPPLEMENTARY INFORMATION****SCHEDULE OF THE SCHOOL DISTRICT'S PROPORTIONATE SHARE OF NET OPEB LIABILITY
MICHIGAN PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM
AMOUNTS WERE DETERMINED AS OF THE PLAN YEAR ENDED SEPTEMBER 30TH**

	<u>2018</u>	<u>2017</u>
School District's proportion of net OPEB liability	0.15672%	0.15931%
School District's proportionate share of net OPEB liability	\$ 12,457,608	\$ 14,107,722
School District's covered-employee payroll	\$ 13,318,107	\$ 13,440,641
School District's proportionate share of net OPEB liability as a percentage of its covered-employee payroll	93.54%	104.96%
Plan fiduciary net position as a percentage of total OPEB liability	43.10%	36.53%

The Notes to Required Supplementary Information are an integral part of this statement.

ST. JOSEPH PUBLIC SCHOOLS

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE SCHOOL DISTRICT'S OPEB CONTRIBUTIONS
MICHIGAN PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM
DETERMINED AS OF THE YEAR ENDED JUNE 30, 2019

	<u>2019</u>	<u>2018</u>
Statutorily required contributions	\$ 1,073,662	\$ 948,470
Contributions in relation to statutorily required contributions	<u>1,073,662</u>	<u>948,470</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
School District's covered-employee payroll	\$ 13,932,270	\$ 13,309,299
Contributions as a percentage of covered-employee payroll	7.71%	7.13%

The Notes to Required Supplementary Information are an integral part of this statement.

Change of pension benefit terms:

There were no changes of benefit terms for the plan years ended September 30.

Change of pension assumptions:

The discount rate used in the September 30, 2017 actuarial valuation decreased by 0.45 percent.

The discount rate used in the September 30, 2016 actuarial valuation decreased by 0.50 percent.

Change of OPEB benefit terms:

There were no changes of benefit terms for the plan years ended September 30.

Changes of OPEB assumptions:

The discount rate used in the September 30, 2017 actuarial valuation decreased by 0.35 percent.

**OTHER SUPPLEMENTARY
INFORMATION**

	Food Services Fund	Total Non-Major Capital Projects Funds	Total Non- Major Debt Service Funds	Total Non-Major Governmental Funds
Assets				
Cash and cash equivalents	\$ 68,111	\$ 96,699	\$ 431,139	\$ 595,949
Investments	-	6,089	297,741	303,830
Due from other governmental units	9,857	-	-	9,857
Inventory	10,418	-	-	10,418
Total Assets	\$ 88,386	\$ 102,788	\$ 728,880	\$ 920,054
Liabilities and Fund Balances				
Liabilities				
Unearned revenue	\$ 38,664	-	-	\$ 38,664
Total Liabilities	\$ 38,664	\$ -	\$ -	\$ 38,664
Fund Balances				
Non-spendable inventory	\$ 10,418	-	-	\$ 10,418
Restricted for debt retirement	-	-	728,880	728,880
Restricted for capital projects	-	102,788	-	102,788
Restricted for food service	39,304	-	-	39,304
Total Fund Balances	\$ 49,722	\$ 102,788	\$ 728,880	\$ 881,390
Total Liabilities and Fund Balances	\$ 88,386	\$ 102,788	\$ 728,880	\$ 920,054

ST. JOSEPH PUBLIC SCHOOLS

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES—
NON-MAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2019

	Food Services Fund	Total Non-Major Capital Projects Funds	Total Non-Major Debt Service Funds	Total Non-Major Governmental Funds
Revenues				
Property taxes	\$ -	\$ 1,045,678	\$ 4,084,149	\$ 5,129,827
Local sources	672,603	1,298,844	-	1,971,447
State sources	54,725	-	-	54,725
Federal sources	443,216	-	-	443,216
Earnings on investments	-	8,890	42,824	51,714
Miscellaneous revenue	-	-	58,625	58,625
Total Revenues	\$ 1,170,544	\$ 2,353,412	\$ 4,185,598	\$ 7,709,554
Expenditures				
Supporting services	\$ 1,310,775	\$ 2,270	\$ 2,000	\$ 1,315,045
Capital outlay	-	4,059,961	-	4,059,961
Debt retirement:				
Principal on long-term debt	-	-	2,140,000	2,140,000
Interest on long-term debt	-	-	1,858,507	1,858,507
Total Expenditures	\$ 1,310,775	\$ 4,062,231	\$ 4,000,507	\$ 9,373,513
Excess (Deficiency) of Revenues over (under) Expenditures	\$ (140,231)	\$ (1,708,819)	\$ 185,091	\$ (1,663,959)
Other Financing Sources (Uses)				
Operating transfers in	\$ 8,220	\$ -	\$ -	\$ 8,220
Operating transfers out	(10,000)	-	-	(10,000)
Total Other Financing Sources (Uses)	\$ (1,780)	\$ -	\$ -	\$ (1,780)
Net Change in Fund Balances	\$ (142,011)	\$ (1,708,819)	\$ 185,091	\$ (1,665,739)
Fund Balances - Beginning of year	191,733	1,811,607	543,789	2,547,129
Fund Balances - End of year	\$ 49,722	\$ 102,788	\$ 728,880	\$ 881,390

	Capital Projects Sinking Fund	2016 Capital Projects Bond Fund	Capital Projects Turf Fund	Capital Projects Robotics Fund	Capital Projects EP Clarke Fund	Total Non-Major Capital Projects Funds
Assets						
Cash and cash equivalents	\$ 95,219	\$ 1,458	\$ -	\$ 22	\$ -	\$ 96,699
Investments	-	6,089	-	-	-	6,089
Total Assets	<u>\$ 95,219</u>	<u>\$ 7,547</u>	<u>\$ -</u>	<u>\$ 22</u>	<u>\$ -</u>	<u>\$ 102,788</u>
Liabilities and Fund Balances						
Liabilities						
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total Liabilities	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Fund Balances						
Non-spendable prepaid expenditures	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted for capital projects	95,219	7,547	-	22	-	102,788
Total Fund Balances	<u>\$ 95,219</u>	<u>\$ 7,547</u>	<u>\$ -</u>	<u>\$ 22</u>	<u>\$ -</u>	<u>\$ 102,788</u>
Total Liabilities and Fund Balances	<u>\$ 95,219</u>	<u>\$ 7,547</u>	<u>\$ -</u>	<u>\$ 22</u>	<u>\$ -</u>	<u>\$ 102,788</u>

ST. JOSEPH PUBLIC SCHOOLS

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES—
NON-MAJOR CAPITAL PROJECTS FUNDS
YEAR ENDED JUNE 30, 2019

	Capital Projects Sinking Fund	2016 Capital Projects Bond Fund	Capital Projects Turf Fund	Capital Projects Robotics Fund	Capital Projects EP Clarke Fund	Total Non-Major Capital Projects Funds
Revenues						
Property taxes	\$ 1,045,678	\$ -	\$ -	\$ -	\$ -	\$ 1,045,678
Local sources	16,063	-	15,000	1,267,781	-	1,298,844
Earnings on investments	-	8,350	357	22	161	8,890
Total Revenues	\$ 1,061,741	\$ 8,350	\$ 15,357	\$ 1,267,803	\$ 161	\$ 2,353,412
Expenditures						
Supporting services	\$ -	2,270	\$ -	\$ -	\$ -	2,270
Capital outlay	1,168,361	701,021	545,356	1,267,782	377,441	4,059,961
Total Expenditures	\$ 1,168,361	\$ 703,291	\$ 545,356	\$ 1,267,782	\$ 377,441	\$ 4,062,231
Excess (Deficiency) of Revenues Over (Under) Expenditures	\$ (106,620)	\$ (694,941)	\$ (529,999)	\$ 21	\$ (377,280)	\$ (1,708,819)
Other Financing Sources (Uses)						
Operating transfers in	\$ -	-	\$ -	\$ -	\$ -	\$ -
Operating transfers out	-	-	-	-	-	-
Total Other Financing Sources (Uses)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Net Change in Fund Balances	\$ (106,620)	\$ (694,941)	\$ (529,999)	\$ 21	\$ (377,280)	\$ (1,708,819)
Fund Balances - Beginning of year	201,839	702,488	529,999	1	377,280	1,811,607
Fund Balances - End of year	\$ 95,219	\$ 7,547	\$ -	\$ 22	\$ -	\$ 102,788

COMBINING BALANCE SHEET –NON-MAJOR
DEBT SERVICE FUNDS
YEAR ENDED JUNE 30, 2019

	2016 Debt Service Fund	2005/2010/2015 B Debt Service Fund	2010/2013/2015 A Debt Service Fund	Total Non-Major Debt Service Funds
Assets				
Cash and cash equivalents	\$ 51,282	\$ 145,125	\$ 234,732	\$ 431,139
Investments	-	297,741	-	297,741
Total Assets	<u>\$ 51,282</u>	<u>\$ 442,866</u>	<u>\$ 234,732</u>	<u>\$ 728,880</u>
Liabilities and Fund Balances				
Liabilities				
Accounts payable	-	-	-	-
Total Liabilities	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Fund Balances				
Restricted for debt retirement	\$ 51,282	\$ 442,866	\$ 234,732	\$ 728,880
Total Fund Balances	<u>\$ 51,282</u>	<u>\$ 442,866</u>	<u>\$ 234,732</u>	<u>\$ 728,880</u>
Total Liabilities and Fund Balances	<u>\$ 51,282</u>	<u>\$ 442,866</u>	<u>\$ 234,732</u>	<u>\$ 728,880</u>

ST. JOSEPH PUBLIC SCHOOLS

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES—
NON-MAJOR DEBT SERVICE FUNDS
YEAR ENDED JUNE 30, 2019

	2016 Debt Service Fund	2005/2010/2015 B Debt Service Fund	2010/2013/2015 A Debt Service Fund	Total Non-Major Debt Service Funds
Revenues				
Property taxes	\$ 282,589	\$ 1,540,503	\$ 2,261,057	\$ 4,084,149
Earnings on investments	1,233	39,583	2,008	42,824
Miscellaneous revenue	4,059	22,097	32,469	58,625
Total Revenues	\$ 287,881	\$ 1,602,183	\$ 2,295,534	\$ 4,185,598
Expenditures				
Supporting services	\$ -	\$ 1,250	\$ 750	\$ 2,000
Debt retirement:				
Principal on long-term debt	290,000	1,065,000	785,000	2,140,000
Interest on long-term debt	38,500	412,544	1,407,463	1,858,507
Total Expenditures	\$ 328,500	\$ 1,478,794	\$ 2,193,213	\$ 4,000,507
Excess (Deficiency) of Revenues Over (Under) Expenditures	\$ (40,619)	\$ 123,389	\$ 102,321	\$ 185,091
Other Financing Sources (Uses)				
Operating transfers in	\$ -	\$ -	\$ -	\$ -
Operating transfers out	-	-	-	-
Total Other Financing Sources (Uses)	\$ -	\$ -	\$ -	\$ -
Net Change in Fund Balances	\$ (40,619)	\$ 123,389	\$ 102,321	\$ 185,091
Fund Balances - Beginning of year	91,901	319,477	132,411	543,789
Fund Balances - End of year	\$ 51,282	\$ 442,866	\$ 234,732	\$ 728,880

SINGLE AUDIT INFORMATION

ST. JOSEPH PUBLIC SCHOOLS

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2019**

Federal Grantor Pass Through Grantor Program Title Grant Number U.S. Department of Education	Grant/Project Number	Federal CFDA Number	Approved Grant Award Amount	(Memo Only) Prior Year Expenditures	Accrued (Deferred) Revenue July 1, 2018	Adjustments	Federal Funds/ In-Kind Payments		Accrued (Deferred) Revenue June 30, 2019
							Federal Expenditures	Federal Expenditures	
Child Nutrition Cluster - U.S. Department of Agriculture - Passed through the Michigan Department of Education: National School Lunch Program: Non-Cash Assistance (Commodities) - National School Lunch Program - Entitlement Commodities - 2018/2019	N/A	10.555	\$ 86,088	\$ -	\$ -	\$ -	\$ 71,727	\$ 71,727	\$ -
Cash Assistance: National School Breakfast Program 2017/2018	181970	10.553	50,605	45,879	-	-	4,726	4,726	-
National School Breakfast Program 2018/2019	191970	10.553	44,738	-	-	-	44,738	44,738	-
National School Lunch Program 2017/2018	181960	10.555	334,971	296,583	-	-	38,388	38,388	-
National School Lunch Program 2018/2019	191960	10.555	283,637	-	-	-	283,637	283,637	-
Total National Lunch Program			\$ 800,039	\$ 342,462	\$ -	\$ -	\$ 443,216	\$ 443,216	\$ -
Total Child Nutrition Cluster			\$ 800,039	\$ 342,462	\$ -	\$ -	\$ 443,216	\$ 443,216	\$ -
Medicaid Cluster - U.S. Department of Health and Human Services Passed through the Berrien RESA	N/A	93.778	\$ 5,266	\$ 5,266	\$ 5,266	\$ -	\$ 5,266	\$ -	\$ -
Medicaid Outreach - 2017/2018	N/A	93.778	10,154	-	-	-	10,154	10,154	-
Medicaid Outreach - 2018/2019			15,420	5,266	5,266	-	15,420	10,154	-
Total Medicaid Cluster			\$ 815,459	\$ 347,728	\$ 5,266	\$ -	\$ 458,636	\$ 453,370	\$ -
Total federal program clusters									

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2019**

Federal Grantor Pass Through Grantor Program Title Grant Number		Grant/Project Number	Federal CFDA Number	Approved Grant Award Amount	(Memo Only) Prior Year Expenditures	Accrued (Deferred) Revenue July 1, 2018	Adjustments	Federal Funds/ In-Kind Payments	Federal Expenditures	Accrued (Deferred) Revenue June 30, 2019
Noncluster programs passed through the Michigan Department of Education: Grants to Local Educational Agencies - Title I, Part A										
	Title I, Part A 1718	181530	84.010	\$ 177,435	\$ 117,438	\$ 7,351	\$ -	\$ 7,351	\$ -	\$ -
	Title I, Part A 1819	191530	84.010	\$ 260,933	-	-	-	\$ 219,355	\$ 242,467	\$ 23,112
	Total Title I, Part A			\$ 438,368	\$ 117,438	\$ 7,351	\$ -	\$ 226,706	\$ 242,467	\$ 23,112
Student Support and Academic Enrichment Grant - Title IV, Part A										
	Title IV, Part A 1819	190750	84.424	\$ 12,007	\$ -	\$ -	\$ -	\$ 8,404	\$ 10,650	\$ 2,246
	Total Title IV, Part A			\$ 12,007	\$ -	\$ -	\$ -	\$ 8,404	\$ 10,650	\$ 2,246
Improving Teacher Quality - Title II, Part A										
	Title II, Part A 1819	190520	84.367	\$ 87,541	\$ -	\$ -	\$ -	\$ 62,349	\$ 76,696	\$ 14,347
	Total Title II, Part A			\$ 87,541	\$ -	\$ -	\$ -	\$ 62,349	\$ 76,696	\$ 14,347
	Total noncluster programs passed through the State of Michigan			\$ 537,916	\$ 117,438	\$ 7,351	\$ -	\$ 297,459	\$ 329,813	\$ 39,705
Noncluster programs passed through the Berrien RESA:										
	Perkins Grant - 2018-2019	N/A	84.048	\$ 32,596	\$ -	\$ -	\$ -	\$ 32,596	\$ 32,596	\$ -
	Total noncluster programs passed through the Berrien RESA			\$ 32,596	\$ -	\$ -	\$ -	\$ 32,596	\$ 32,596	\$ -
	Total noncluster programs			\$ 570,512	\$ 117,438	\$ 7,351	\$ -	\$ 330,055	\$ 362,409	\$ 39,705
	Total Federal Financial Assistance			\$ 1,385,971	\$ 465,166	\$ 12,617	\$ -	\$ 788,691	\$ 815,779	\$ 39,705

Financial Statements

Type of auditors report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified? Yes No

Significant deficiency(ies) identified that are not considered to be material weakness(es)? Yes none reported

Noncompliance material to financial statements noted? Yes No

Federal Awards

Internal control over major programs:

Material weakness(es) identified? Yes No

Significant deficiency(ies) identified that are not considered to be material weakness(es)? Yes none reported

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

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

Identification of major programs:

<u>CFDA</u>	<u>Name of Federal Program or Cluster</u>
10.553, 10.555, 10.556 & 10.559	Child Nutrition Cluster

Dollar threshold used to distinguish between type A and type B programs:

\$750,000

Auditee qualified as low-risk auditee? Yes No

SECTION II – STATUS OF PRIOR YEAR FINANCIAL STATEMENT FINDINGS

There were no prior year findings.

SECTION III – FINANCIAL STATEMENT FINDINGS

There are no financial statement findings.

SECTION IV – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

There are no federal award findings or questioned costs.

NOTE 1. BASIS OF PRESENTATION:

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

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported in the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principals contained in Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein *certain* types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. Passthrough entity identifying numbers are presented where available.

NOTE 3. FOOD DISTRIBUTION

The amounts reported on the Recipient Entitlement Balance Report (PAL report), agree with this schedule for USDA donated food commodities and are reported in the Federal Funds/In-Kind Payments column. Spoilage or pilferage, if any, is included in expenditures.

NOTE 4. SCHEDULE OF RECONCILIATION OF EXPENDITURES WITH EXPENDITURES FOR FEDERAL FINANCIAL ASSISTANCE PROGRAMS

The actual Federal source expenditures amounted to \$815,779 per the audit of the financial statements. The related expenditures are composed of the following:

	Amount
Actual cash expenditures	\$ 744,052
Entitlement commodities used	71,727
	<u>\$ 815,779</u>

NOTE 5. INDIRECT COSTS

The District has elected not to use the 10 percent de minimus indirect cost rate to recover indirect costs as allowed under the Uniform Guidance.

NOTE 6. GRANT AUDITOR REPORT

Management has utilized the Cash Management System (CMS) Grant Auditor Report in preparing the Schedule. Unreconciled differences, if any, have been disclosed to the auditor.

NOTE 7. PASS-THROUGH SUBRECIPIENTS

The District did not pass-through any federal award dollars to any subrecipients

**MANAGEMENT COMPLIANCE
LETTERS**



**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 of
St. Joseph Public Schools
St. Joseph, Michigan

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the St. Joseph Public Schools as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise St. Joseph Public Schools' basic financial statements and have issued our report thereon dated October 8, 2019.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered St. Joseph 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 St. Joseph Public Schools' internal control. Accordingly, we do not express an opinion on the effectiveness of St. Joseph 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 St. Joseph 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*.

**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***

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.

Respectfully submitted,



Certified Public Accountants

St. Joseph, Michigan
October 8, 2019



Independent Auditor's Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance

To the Board of Education of
St. Joseph Public Schools
St. Joseph, Michigan

Report on Compliance for Each Major Federal Program

We have audited St. Joseph 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 St. Joseph Public Schools' major federal programs for the year ended June 30, 2019. St. Joseph 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 the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, St. Joseph 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.

Independent Auditor's Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance

Report on Internal Control Over Compliance

Management of St. Joseph 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 St. Joseph 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 St. Joseph Public Schools' internal control over compliance.

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

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

The purpose of the 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.

Respectfully submitted,



Certified Public Accountants

St. Joseph, Michigan
October 8, 2019