

STANTON TOWNSHIP PUBLIC SCHOOL DISTRICT
REPORT ON FINANCIAL STATEMENTS
(with required supplementary and additional information)
YEAR ENDED JUNE 30, 2019

STANTON TOWNSHIP PUBLIC SCHOOL DISTRICT

June 30, 2019

ADMINISTRATION

Superintendent..... James Rautiola

BOARD OF EDUCATION

President..... Jill Efraimson

Vice President..... Sarah Anderson

Treasurer..... Brad Pennala

Secretary..... Paul Marttila

Trustee..... Janie Haataja

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RUKKILA | NEGRO AND ASSOCIATES

Certified Public Accountants, PC

310 Sheldon Avenue, Houghton, Michigan 49931
906.482.6601 906.482.9046 fax www.rukkilanegro.com

INDEPENDENT AUDITOR'S REPORT

To the Board of Education
Stanton Township Public School District
Atlantic Mine, Michigan

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and pension requirements on pages 7 through 13 and 41 through 44 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 District's basic financial statements. The additional information on pages 46 through 50 are presented for purposes of additional analysis and is not a required part of the basic financial statements.

The additional information on pages 46 through 50 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 information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued a report dated October 31, 2019 on our consideration of the Stanton Township Public School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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 Stanton Township Public School District internal control over financial reporting and compliance.

*Rukkila, Negro and Associates,
Certified Public Accountants, PC*

October 31, 2019

**STANTON TOWNSHIP PUBLIC SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2019**

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

Financial Highlights

The District showed an increase in the unreserved general fund balance for the fiscal year. The following considerations attributed to this increase:

- Unrestricted state aid increased by \$46,240 with student count remaining the same as prior year. The District's General Fund restricted state funding decreased by \$8,305 with a majority from MPSERS Offset and At-Risk.

Overview of the Financial Statements

This annual report consists of four parts: Management's Discussion and Analysis (this section), the Basic Financial Statements, Required Supplementary Information, and Supplementary Information. The Basic Financial Statements include two kinds of statements that present different views of the District:

- The first two statements, the Statement of Net Position and the Statement of Activities, are *district-wide financial statements* that provide both short-term and long-term information about the District's overall financial status.
- The remaining statements are *fund financial statements* that focus on individual parts of the District, reporting the District's operations in more detail than the district-wide statements.
 - *Governmental funds statements* tell how basic services such as regular and special education were financed in the short term as well as what remains for future spending.
 - *Fiduciary funds statements* provide information about the financial relationships in which the District acts solely as a trustee or agent for the benefit of others.

The Basic Financial Statements also include Notes to Financial Statements that explain the information in the Basic Financial Statements and provide more detailed data; Required Supplementary Information includes pension and OPEB information schedules; Other Supplementary Information follows and includes combining and individual fund statements and schedules.

District-wide Statements

The district-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Position includes all of the District's assets, deferred outflows of resources, liabilities and deferred inflow of resources. All of the current year's revenues and expenses are accounted for in the Statement of Activities regardless of when cash is received or paid.

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

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

**STANTON TOWNSHIP PUBLIC SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2019**

District-wide Statements (Continued)

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

In the district-wide financial statements, the District's activities are presented as follows:

- *Governmental activities:* The District's basic services are included here, such as regular and special education, instructional support, transportation, administration, community services, food service and athletics. State aid and property taxes finance most of these activities.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds - not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

- Some funds are required by state law and by bond covenants.
- The District establishes other funds to control and manage money for particular purposes (like repaying debt, and its capital projects funds) or to show that it is properly using certain revenues (like school lunch).

The District has two kinds of funds.

- **Governmental funds** - Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the District-wide statements, we provide additional information with the governmental funds statements that explain the relationship (or differences) between them.
- **Fiduciary funds** - The District is the trustee, or fiduciary, for assets that belong to others, such as the scholarship fund and the student activities funds. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. We exclude these activities from the District-wide financial statements because the District cannot use these assets to finance its operations.

Notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the basic financial statements.

Required supplementary information, other than Management's Discussion and Analysis, provides information about the required budgetary comparison information on the General Fund.

**STANTON TOWNSHIP PUBLIC SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2019**

Financial Analysis of the District as a Whole

	Summary of Net Position	
	<u>2019</u>	<u>2018</u>
Assets		
Current assets	\$ 1,055,457	\$ 894,752
Capital assets - Net	<u>3,472,412</u>	<u>3,473,766</u>
Total assets	<u>4,527,869</u>	<u>4,368,518</u>
Deferred outflows of resources	896,943	464,592
Liabilities		
Current liabilities	287,909	217,370
Noncurrent liabilities	3,209,028	5,400,349
Net pension liability	2,490,503	2,135,220
Net OPEB liability	<u>663,964</u>	<u>729,596</u>
Total liabilities	<u>6,651,404</u>	<u>8,482,535</u>
Deferred inflows of resources	353,354	133,447
Net position		
Net investment in capital assets	155,568	117,302
Restricted		
Food service	14,127	7,519
Debt service	61,333	64,913
Capital projects	245,087	7,027
Unrestricted	<u>(2,056,061)</u>	<u>(1,826,251)</u>
Total net position	<u>\$ (1,579,946)</u>	<u>\$ (1,629,490)</u>

**STANTON TOWNSHIP PUBLIC SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2019**

Results of Operations in Governmental Activities

	<u>2019</u>	<u>2018</u>
Program Revenues		
Charges for services	\$ 3,678	\$ 16,519
Operating grants and contributions	338,976	347,938
Grant Revenues		
Taxes	493,361	506,357
State aid	1,064,067	1,017,827
Earnings on investments	11,096	4,187
Incoming transfers - other schools	(1,641)	-
Other	18,971	7,528
Total revenues	<u>1,928,508</u>	<u>1,900,356</u>
Functions/program expenses		
Instruction	1,094,663	1,059,297
Supporting services	594,452	577,162
Food service	80,881	77,260
Athletics	10,495	9,865
Other Debt Service	98,473	96,643
Total expenses	<u>1,878,964</u>	<u>1,820,227</u>
Change in net position	49,544	80,129
Net position - Beginning	<u>(1,629,490)</u>	<u>(1,709,619)</u>
Net position - Ending	<u>\$ (1,579,946)</u>	<u>\$ (1,629,490)</u>

**STANTON TOWNSHIP PUBLIC SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2019**

Overview of the Financial Statements (Continued)

The following table highlights the District's General Fund activities:

	2019	% of total	2018	% of total
Revenues				
Taxes	\$ 320,172	17.0 %	\$ 335,793	20.1 %
Other taxes	7,293	0.4 %	7,239	0.4 %
Athletics	1,103	0.1 %	1,008	0.1 %
Contributions	200	- %	2,605	0.2 %
State aid	1,064,067	56.7 %	1,017,827	61.4 %
State restricted	201,795	10.8 %	210,100	12.7 %
Other financing sources	209,636	11.2 %	10,402	0.6 %
Federal sources	70,749	3.8 %	73,965	4.5 %
Total revenues	\$ 1,875,015	100.0 %	\$ 1,658,939	100.0 %
Expenditures				
Basic instruction	\$ 827,172	41.4 %	\$ 765,683	51.2 %
Added needs	126,258	6.3 %	153,119	10.2 %
Instructional staff	563	- %	-	- %
General administration	296,592	14.8 %	305,671	20.4 %
Site improvements	9,932	0.5 %	-	- %
Technology	10,795	0.5 %	-	- %
Athletics	9,935	0.5 %	9,654	0.6 %
Operations & maintenance	144,747	7.2 %	153,972	10.3 %
Transportation	239,979	12.0 %	109,446	7.3 %
Other financing uses	336,898	16.8 %	-	- %
Total expenditures	\$ 2,002,871	100.0 %	\$ 1,497,545	100.0 %

Significant Transactions and Changes in Individual Funds

The overall financial position of the individual Governmental funds of the District did not change significantly from the previous year. A comparison of revenues/transfers, expenditures/transfers and fund balances is as follows:

	2019	2018	Change
General Fund			
Revenues/Transfers	\$ 1,875,015	\$ 1,658,939	\$ 216,076
Expenditures/Transfers	\$ 2,002,871	\$ 1,497,545	\$ 505,326
Fund Balance	\$ 573,527	\$ 701,383	\$ (127,856)
Food Service Fund			
Revenues/Transfers	\$ 84,744	\$ 76,785	\$ 7,959
Expenditures/Transfers	\$ 78,136	\$ 76,427	\$ 1,709
Fund Balance	\$ 14,127	\$ 7,519	\$ 6,608
Debt Retirement Fund			
Revenues/Transfers	\$ 167,483	\$ 164,264	\$ 3,219
Expenditures/Transfers	\$ 171,063	\$ 161,863	\$ 9,200
Fund Balance	\$ 61,333	\$ 64,913	\$ (3,580)
Capital Projects Fund			
Revenues/Transfers	\$ 250,161	\$ 368	\$ 249,793
Expenditures/Transfers	\$ 12,101	\$ 73,160	\$ (61,059)
Fund Balance	\$ 245,087	\$ 79,459	\$ 165,628

**STANTON TOWNSHIP PUBLIC SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2019**

Significant Transactions and Changes in Individual Fund (Continued)

General Fund: Increase in revenues is due to the combination of an increase in unrestricted State aid and loan proceeds.

Expenditures increased from prior year due to increases in instruction and pupil transportation.

School Service Fund: Revenues increased due to an increase in federal sources.

Debt Retirement Fund: Taxes were collected for the debt and bond and interest payments were paid as scheduled.

Capital Projects Fund: The increase in revenues is due to a transfer in from general fund. The decrease in expenditures is due to the majority of the expenses related to the 2016 building improvement project occurring in the prior two fiscal years.

General Fund Budgetary Highlights

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

For the fiscal year ended June 30, 2019, the original budget was adopted on June 27, 2018. Since the original budget is adopted two months before school is in session, there are unknowns such as the number of students enrolled for the year. Since much of the District's revenue is determined based on the number of students enrolled, this variable could have a significant impact on the budget. Often there are a number of unforeseen events that occur throughout the year that impact the budget and/or cause budget variances. The District amended its budget during the fiscal year due to these unforeseen factors.

	Budgeted Amounts		Actual	Variance Final to Actual	% Variance
	Original	Final			
Revenues	\$ 1,498,968	\$ 1,721,392	\$ 1,693,647	\$ (27,745)	(1.6)%
Expenditures					
Instruction	\$ 906,696	\$ 1,000,806	\$ 953,430	\$ 47,376	4.7 %
Supporting services	603,835	702,857	712,543	(9,686)	(1.4)%
Total expenditures	\$ 1,510,531	\$ 1,703,663	\$ 1,665,973	\$ 37,690	2.2 %
Other financing sources (uses)	\$ 119,868	\$ (156,029)	\$ (155,530)	\$ 499	(31,268.3)%

Original to final budget changes consisted of an increase in revenues of \$222,424 and expenditures increased by \$193,132. Final budget to actual showed a \$27,745 decrease in revenues and \$37,690 decrease in expenditures.

**STANTON TOWNSHIP PUBLIC SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2019**

Capital Assets and Debt Administration

Capital Assets – During the fiscal year, the District purchased two buses, replaced several classroom windows and made a final payment on the capital building project. Depreciation expense totaled \$111,402.

Information on the District’s capital assets can be found starting on page 28 of this report.

Long-term Debt – At the end of the current fiscal year, the District’s total debt was \$3,301,167. This total amount is backed by the full faith and credit of the District. The District’s net total debt decreased by \$159,229.

Information on the District’s debt can be found starting on page 29 of this report.

Known Facts, Decisions, or Conditions Having Significant Affect on Future Operations

The table depicts no change in students from the previous year, using the State Aid Membership Count.

<u>Year</u>	<u>Student Total</u>	<u>Change</u>
2014-15	159	10
2015-16	169	10
2016-17	180	11
2017-18	177	(3)
2018-19	177	-

Our elected officials and administration consider many factors when setting the District’s fiscal year budget. One of the most important factors affecting the budget is our student count. The State foundation revenue is determined by multiplying the blended student count by the foundation allowance per pupil.

Contacting the District’s Financial Management

This financial report is designed to provide our citizens and taxpayers with a general overview of the District’s finances. If you have questions about this report or need additional information, contact the Superintendent, James Rautiola (jrautiola@stpsd.us), Stanton Township Public School District, 50870 Holman School Road, Atlantic Mine, Michigan 49905 or phone 906-482-2797.

STANTON TOWNSHIP PUBLIC SCHOOL DISTRICT

STATEMENT OF NET POSITION

June 30, 2019

Assets	
Cash and cash equivalents	\$ 264,828
Investments	494,623
Accounts receivable	1,855
Due from governmental units	231,395
Restricted investments	62,756
Capital assets - Net	<u>3,472,412</u>
Total assets	<u>4,527,869</u>
Deferred outflows of resources	
Pension	773,936
OPEB	<u>123,007</u>
Total outflows of resources	<u>896,943</u>
Liabilities	
Accounts payable	4,315
Accrued interest	15,677
Accrued expenses	71,356
Unearned revenue	49,177
Due to governmental units	36,535
Note payable, due within one year	25,849
Bonds payable, due within one year	85,000
Compensated absences	18,710
Notes payable, due in more than one year	50,318
Bonds payable, due in more than one year	3,140,000
Net pension liability	2,490,503
Net OPEB liability	<u>663,964</u>
Total liabilities	<u>6,651,404</u>
Deferred inflows of resources	
Pension	202,440
OPEB	<u>150,914</u>
Total deferred inflows of resources	<u>353,354</u>
Net position	
Net investment in capital assets	155,568
Restricted	
Food service	14,127
Debt service	61,333
Capital projects	245,087
Unrestricted	<u>(2,056,061)</u>
Total net position	<u>\$ (1,579,946)</u>

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

STANTON TOWNSHIP PUBLIC SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
Year Ended June 30, 2019

	Program Revenues			Governmental Activities
Expenditures	Charges for services	Operating grants and contributions	Net (Expense) Revenue and Changes in Net Position	
<u>Functions/Programs</u>				
Government Activities				
Instruction and instructional support	\$ 1,094,663	\$ -	\$ 256,858	\$ (837,805)
Support services	594,452	-	-	(594,452)
Food service	80,881	2,575	82,118	3,812
Athletics	10,495	1,103	-	(9,392)
Interest on long-term debt	98,473	-	-	(98,473)
Total governmental activities	\$ 1,878,964	\$ 3,678	\$ 338,976	(1,536,310)
General revenues:				
Taxes, levied for general operations				486,068
Other taxes				7,293
State aid				1,064,067
Earnings on investments				11,096
Gains/losses on sale of fixed assets				(1,641)
Miscellaneous				18,971
Total general revenues, transfers, and special items				1,585,854
Change in net position				49,544
Net position - Beginning of year				(1,629,490)
Net position - End of year				\$ (1,579,946)

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

STANTON TOWNSHIP PUBLIC SCHOOL DISTRICT
GOVERNMENTAL FUNDS
BALANCE SHEET
June 30, 2019

	<u>General Fund</u>	<u>Non-Major Funds</u>	<u>Total Governmental Funds</u>
Assets			
Cash and cash equivalents	\$ 262,484	\$ 2,344	\$ 264,828
Investments	494,623	-	494,623
Restricted investments	-	62,756	62,756
Accounts receivable	1,327	528	1,855
Due from governmental units	231,220	175	231,395
Due from other funds	-	254,744	254,744
Total assets	<u>\$ 989,654</u>	<u>\$ 320,547</u>	<u>\$ 1,310,201</u>
Liabilities			
Accounts payable	\$ 4,315	\$ -	\$ 4,315
Accrued expenses	71,356	-	71,356
Due to other funds	254,744	-	254,744
Due to governmental units	36,535	-	36,535
Unearned revenue	49,177	-	49,177
Total liabilities	<u>416,127</u>	<u>-</u>	<u>416,127</u>
Fund balances			
Restricted			
Food service	-	14,127	14,127
Debt service	-	61,333	61,333
Capital projects	-	245,087	245,087
Assigned	63,000	-	63,000
Unassigned	510,527	-	510,527
Total fund balances	<u>573,527</u>	<u>320,547</u>	<u>894,074</u>
Total liabilities and fund balances	<u>\$ 989,654</u>	<u>\$ 320,547</u>	<u>\$ 1,310,201</u>

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

STANTON TOWNSHIP PUBLIC SCHOOL DISTRICT
GOVERNMENTAL FUNDS
RECONCILIATION OF THE BALANCE SHEET
TO THE STATEMENT OF NET POSITION
June 30, 2019

Fund Balances - Total Governmental Funds	\$ 894,074
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets, net of accumulated depreciation, used in governmental activities are not financial resources and therefore are not reported in the funds	3,472,412
Long-term liabilities, including deferred compensated absences, are not due and payable in the current period and therefore are not reported in the funds	(3,319,877)
Net pension liability	(2,490,503)
Deferred outflows from the difference between pension changes of assumptions and contributions subsequent to the measurement date	773,936
Deferred inflows from the difference between projected and actual investment earnings of the pension plan	(202,440)
OPEB obligation	(663,964)
Deferred outflows from the difference between OPEB changes of assumptions and contributions subsequent to the measurement date	123,007
Deferred inflows from the difference between projected and actual investment earnings of the OPEB plan	(150,914)
Accrued interest is not included as a liability in governmental funds	<u>(15,677)</u>
Net position of governmental activities	<u>\$ (1,579,946)</u>

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

STANTON TOWNSHIP PUBLIC SCHOOL DISTRICT
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
Year Ended June 30, 2019

	<u>General Fund</u>	<u>Non-Major Funds</u>	<u>Total</u>
Revenues			
Local sources	\$ 357,036	\$ 178,831	\$ 535,867
State sources	1,265,862	2,280	1,268,142
Federal sources	70,749	71,277	142,026
Total revenues	<u>1,693,647</u>	<u>252,388</u>	<u>1,946,035</u>
Expenditures			
Instruction	953,430	-	953,430
Supporting services	702,608	12,001	714,609
Food service	-	78,136	78,136
Debt service	-	96,163	96,163
Athletics	9,935	-	9,935
Total expenditures	<u>1,665,973</u>	<u>186,300</u>	<u>1,852,273</u>
Excess (deficiency) of revenues over expenditures	<u>27,674</u>	<u>66,088</u>	<u>93,762</u>
Other financing sources (uses)			
Debt principal payments	(86,898)	(75,000)	(161,898)
Proceeds from loan	119,868	-	119,868
Proceeds from the sale of capital assets	61,500	-	61,500
Operating transfers in (out)	(250,000)	250,000	-
Total other financing sources (uses)	<u>(155,530)</u>	<u>175,000</u>	<u>19,470</u>
Net change in fund balances	(127,856)	241,088	113,232
Fund balances - Beginning of year	<u>701,383</u>	<u>79,459</u>	<u>780,842</u>
Fund balances - End of year	<u>\$ 573,527</u>	<u>\$ 320,547</u>	<u>\$ 894,074</u>

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

STANTON TOWNSHIP PUBLIC SCHOOL DISTRICT
GOVERNMENTAL FUNDS
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
Year Ended June 30, 2019

Net Change in Fund Balances - Total Governmental Funds	\$	113,232
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds do not record depreciation and report capital outlays as expenditures; in the statement of activities, these costs are capitalized and allocated over their estimated useful lives as depreciation		61,787
In the statement of activities, gains and losses on disposal of capital assets are reported, whereas, in the governmental funds, the proceeds from the disposal of capital assets are reflected, regardless of whether a gain or loss is realized.		(63,141)
Accrued expenses are recorded in the statement of activities when incurred; they are not reported in governmental funds until paid		(6,326)
Loan proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position		(119,868)
The change in net pension liability amounts does not require the use of current resources and is not reported in the governmental funds		(114,932)
The change in OPEB obligation does not require the use of current resources and is not reported in the governmental funds		19,563
Repayment of loan and bond principal is an expenditure in the governmental funds, but not in the statement of activities (where it reduces long-term debt)		159,229
		<hr style="border-top: 1px solid black;"/>
Change in net position of governmental activities	\$	<u><u>49,544</u></u>

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

STANTON TOWNSHIP PUBLIC SCHOOL DISTRICT
FIDUCIARY FUNDS
STATEMENT OF ASSETS AND LIABILITIES
June 30, 2019

	<u>Trust and Agency Fund</u>
Assets	
Cash	<u>\$ 14,667</u>
Liabilities	
Due to student groups	<u>\$ 14,667</u>

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

**STANTON TOWNSHIP PUBLIC SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS - June 30, 2019**

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

REPORTING ENTITY

Stanton Township Public School District (the "District") is governed by the Stanton Township Public School District Board of Education (the "Board"), which has responsibility and control over all activities related to public school education within the District. The District receives funding from local, state and federal government sources and must comply with all the requirements of these funding source entities. However, the District is not included in any other governmental reporting entity as defined by the accounting principles generally accepted in the United States of America. Board members are elected by the public and have decision-making authority, the power to designate management, the ability to significantly influence operations, and the primary accountability for fiscal matters. In addition, the District's reporting entity does not contain any component units as defined in Governmental Accounting Standards Board Statement Numbers 14 and 39.

GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the District. For the most part, the effect of inter-fund 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 of the 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 segment 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 or segment. State Foundation Aid, certain revenue from the Intermediate School District and other unrestricted items are not included as program revenues and are reported as general revenues.

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

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

The District does allocate indirect costs.

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

**STANTON TOWNSHIP PUBLIC SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS - June 30, 2019**

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Governmental Funds – 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, expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, unrestricted State aid, intergovernmental grants, and interest income 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 unit.

The District reports the following major governmental funds:

General Fund - The General Fund is the general operating fund and accordingly, it is used to account for all financial resources except those required to be accounted for in another fund.

Other Non-Major funds:

Special Revenue Funds - Special Revenue Funds are used to account for the activities of specific school service revenue sources such as School Food Service.

Capital Projects Fund - The Capital Projects Fund is used to account for all revenues and expenditures associated with the District's capital structures.

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

MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND BASIS OF PRESENTATION

Modified Accrual Method – Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are 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, expenditures related to compensated absences and claims and judgments, are recorded only when payment is done.

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

**STANTON TOWNSHIP PUBLIC SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS - June 30, 2019**

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

State Revenue - The State of Michigan utilizes a foundation grant approach which provides for a specific annual amount of revenue per pupil based on a statewide formula. The Foundation is funded from state and local sources. Revenues from state sources are primarily governed by the School Aid Act and the School Code of Michigan. The Michigan Department of Education administers the allocation of state funds to school districts based on information supplied by the districts and the local county treasurer. For the year ended June 30, 2019, the foundation allowance was based on pupil membership counts taken in February and October of previous years for a three year blended average.

The state portion of the foundation is provided primarily by a state education property tax millage of 6 mills and an allocated portion of state sales and other taxes. The local portion of the foundation is funded primarily by non-homestead property taxes which may be levied at a rate of up to 18 mills. The State revenue is recognized during the foundation period and is funded through payments from October 2018 to August 2019. Thus, the unpaid portion at June 30 is reported as due from other governmental units.

Foundation	\$ 7,871.00
Less Local Support:	
Assumed Local Revenue	\$ 325,147.00
Divided by General Education k-12 membership	<u>176.50</u>
Calculated Local Support	<u>(1,842.19)</u>
Foundation Grant Allowance Per Pupil	<u><u>\$ 6,028.81</u></u>

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

Other Accounting Policies

Cash and Cash Equivalents – Cash and cash equivalents include cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquire. Investments are stated at fair value. Pooled investment income is generally allocated to each fund using a weighted average of balance for the principal.

Property Taxes – Property taxes levied by the District are collected by Stanton Township and are periodically remitted to the District. The taxes are levied on December 31 and are due upon receipt of the billing by the taxpayer and becomes a lien on the first day of the levy year. The actual due date is February 14, after which time the bills become delinquent and penalties and interest may be assessed by the collecting entity.

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

Fund	Mills
General fund - Non-homestead	18.00
Debt service fund - Homestead and non-homestead	3.00

Receivables and Payables – Activity between funds are reported as “due to/from other funds.” All receivables, including property taxes receivable, are shown net of allowance for uncollectibles.

Inventory – The District utilizes the purchase method of recording inventories and supplies. Under the purchase method, inventories are recorded as expenditures when they are purchased.

**STANTON TOWNSHIP PUBLIC SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS - June 30, 2019**

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Assets – Capital assets, which include land, buildings, equipment, site improvements, and vehicles are reported in the applicable governmental activities column in the government-wide financial statements. Fixed assets are defined by the government as assets with an initial individual cost of more than \$5,000. 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 & maintenance that do not add to the value or materially extend asset lives are not capitalized.

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	5-10 years

Compensated Absences – The liabilities for compensated absences reported in the district-wide statements in the amount of \$18,710 consisted of a sick leave balance. Accrued Sick decreased by \$3,560 from prior year. Teachers and support staff may accumulate unused sick days to a maximum of 150 and 130 days, respectively. Upon termination of employment, teachers and support staff with at least ten (10) and eleven (11) years of service, respectively, to the District are paid \$40 and \$40 per day, respectively, of unused accumulated sick days.

Estimates – The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position - Deferred outflows are reported in a separate section following assets, and deferred inflows are reported in a separate section following liabilities. The statement of net position then arrives at net position which includes the net effects of assets, deferred outflows of resources, liabilities, and deferred inflows of resources.

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

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

**STANTON TOWNSHIP PUBLIC SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS - June 30, 2019**

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Balance - Governmental funds report *nonspendable fund balance* for 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* is reported when externally imposed constraints are placed on the use of the resources by grantors, contributors, laws or regulations of other governments. *Committed fund balance*, if any, is reported from amounts that can be used for specific purposes pursuant to constraints imposed by formal action by the government’s highest level of decision making authority, the Board of Education. A formal resolution of the Board of Education is required to establish, modify or rescind a fund balance commitment. The District reports *assigned fund balance* for amounts that are constrained by the government’s intent to be used for specific purposes, but are neither restricted nor committed. *Unassigned fund balance* is the residual classification for the general fund.

At June 30, 2019 the District had an assigned fund balance in the amount of \$63,000 in the General Fund of which \$5,000 is for curriculum, \$5,000 for technology, \$25,000 for building and site, and \$28,000 for school buses.

When the District incurs an expenditure for purposes for which various fund balance classifications can be used, it is the District’s policy to use restricted fund balance first, then committed fund balance, assigned fund balance, and finally unassigned balance.

NOTE B - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

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

1. The Superintendent submits to the School Board a proposed operating budget for the fiscal year commencing July 1. The operating budget includes proposed expenditures and means of financing them. The level of control for the budgets is at the functional level as set forth and presented as required supplementary information.
2. A public hearing is held to obtain taxpayer comments.
3. Prior to July 1, the budget is legally adopted by School Board resolution pursuant to the Uniform Budgeting and Accounting Act (P.A. 621 of 1978) enacted at a regular meeting by School Board approval. The Act provides that a local unit shall not incur expenditures in excess of the amount appropriated.
4. During the year the budget is monitored, and amendments to the budget resolution are made when deemed necessary.
5. Budget appropriations lapse at the end of the fiscal year.

In the body of the financial statements, the District’s actual expenditures and budgeted expenditures for the budgetary funds have been shown on a functional basis. Violations, if any, are noted in the required supplementary information section.

NOTE C - DEPOSITS AND INVESTMENTS

At year end, the District’s cash deposits (checking, savings and certificates of deposit) and investments were reported in the basic financial statements in the following categories and breakdown between deposits and investments for the District’s governmental activities are as follows:

	Governmental Funds	Trust and Agency Fund	Totals
Unrestricted cash	\$ 264,828	\$ -	\$ 264,828
Restricted cash	-	14,667	14,667
Investments	494,623	-	494,623
Restricted investments	62,756	-	62,756
Total cash and cash equivalents	<u>\$ 822,207</u>	<u>\$ 14,667</u>	<u>\$ 836,874</u>

**STANTON TOWNSHIP PUBLIC SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS - June 30, 2019**

NOTE C - DEPOSITS AND INVESTMENTS (Continued)

As of June 30, 2019 the District had the following investments:

Investment Type	Fair Value	Weighted average maturity (years)	Standard & Poor's Rating
MILAF+ Cash Mgmt Class	\$ 177	0.0027	AAAm
MILAF+ MAX Class	557,202	0.0027	AAAm
Total fair value	<u>\$ 557,379</u>		

1 day maturity equals .0027, one year equals 1.00

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

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

Investment and Deposit Risk

Interest Rate Risk – In accordance with its investment policy, the District will minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by; structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the open market; and, investing operating funds primarily in shorter-term securities, liquid asset funds, money market mutual funds, or similar investment pools and limiting the average maturity in accordance with the District's cash requirements. The District's investments held at year end do not have maturity dates.

Credit Risk – State law limits investments to specific government securities, certificates of deposits and bank accounts with qualified financial institutions, commercial paper with specific maximum maturities and ratings when purchased, bankers acceptances of specific financial institutions, qualified mutual funds and qualified external investments pools as identified in the list of authorized investments below. The District's investment policy does not have specific limits in excess of state law on investment credit risk. The rating for each investment are identified above for investments held at year end.

Custodial Credit Risk - Deposits – In the case of deposits, this is the risk that in the event of a bank failure, the District's deposits may not be returned to it. State law does not require and the District does not have a policy for deposit custodial credit risk. As of June 30, 2019, \$41,988 of the District's bank balance of \$317,577 was exposed to custodial credit risk because it was uninsured and uncollateralized.

Custodial Credit Risk - Investments – For an investment, custodial credit risk is the risk that, in the event of the failure of the counter party, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. State law does not require and the District does not have a policy for investment custodial credit risk. On the investment listed above, there is no custodial credit risk, as these investments are uncategorized as to credit risk.

**STANTON TOWNSHIP PUBLIC SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS - June 30, 2019**

NOTE C - DEPOSITS AND INVESTMENTS (Continued)

Concentration of Credit Risk – State law limits allowable investments but does not limit concentration of credit risk as identified in the list of authorized investments below. The District’s investment policy does not have specific limits in excess of state law on concentration of credit risk. All investments held at year end are reported above and are external investment pools.

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

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

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

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

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs. The District does not have any investments subject to the fair value measurement.

Michigan law authorizes the District to deposit and invest in:

1. Bonds, bills, or notes of the United States; obligations, the principal and interest of which are fully guaranteed by the United States; or obligations of the State. In a primary or fourth class school district, the bonds, bill or notes shall be payable at the option of the holder upon not more than 90 days notice or, if not so payable, shall have maturity dates not more than 5 years after the purchase dates.
2. Certificates of deposits issued by the State or national bank, savings accounts of a state or federal savings and loan association, or certificates of deposit or share certificates of a state or federal credit union organized and authorized to operate in this State.
3. Commercial paper rated prime at the time of purchase and maturing not more than 270 days after the date of purchase.
4. Securities issued or guaranteed by agencies or instrumentalities of the United States, United States government or federal agency obligation repurchase agreements, and bankers’ acceptance issued by a bank that is a member of the Federal Deposit Insurance Corporation.
5. Mutual funds composed entirely of investment vehicles that are legal for direct investment by a school district.
6. Investment pools, as authorized by the surplus funds investment pool act, composed entirely of instruments that are legal for direct investment by a school district.

NOTE D - RECEIVABLES

Receivables at year end that are expected to be collected within one year consist of the following:

	General Fund	Food Service Fund	Total
Due from other governments	\$ 231,220	\$ 175	\$ 231,395
Local	1,327	528	1,855
Total	<u>\$ 232,547</u>	<u>\$ 703</u>	<u>\$ 233,250</u>

**STANTON TOWNSHIP PUBLIC SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS - June 30, 2019**

NOTE E - CAPITAL ASSETS

Capital Asset activity of the District's governmental activities was as follows:

	Balance July 01, 2018	Additions	Deletions	Balance June 30, 2019
Capital assets, not being depreciated				
Land	\$ 16,434	\$ -	\$ -	\$ 16,434
Capital assets, being depreciated				
Buildings and additions	3,935,741	\$ 12,001	\$ -	3,947,742
Equipment and furniture	85,555	-	30,063	55,492
School buses	213,869	161,188	140,447	234,610
Subtotal	<u>4,235,165</u>	<u>\$ 173,189</u>	<u>\$ 170,510</u>	<u>4,237,844</u>
	Balance July 01, 2018	Additions	Deletions	Balance June 30, 2019
Accumulated depreciation				
Building and additions	591,123	\$ 85,680	\$ -	676,803
Equipment and furniture	36,706	7,206	29,061	14,851
School buses	150,004	18,516	78,308	90,212
Subtotal	<u>777,833</u>	<u>\$ 111,402</u>	<u>\$ 107,369</u>	<u>781,866</u>
Net capital assets being depreciated	<u>3,457,332</u>			<u>3,455,978</u>
Net capital assets	<u>\$ 3,473,766</u>			<u>\$ 3,472,412</u>

Depreciation expense was charged to governmental activities for support services.

NOTE F - INTER-FUND RECEIVABLES, PAYABLES, AND TRANSFERS

Amounts due from (to) other funds represent the balance of monies due from or to other funds for expenditures made or fund balance transfers approved. The amounts of inter-fund receivables and payables and transfers as of June 30, 2019 are as follows:

Fund	Due From	Fund	Due To
Capital Projects	\$ 243,664	General Fund	\$ 254,744
Food Service Fund	11,080		-
Total	<u>\$ 254,744</u>	Total	<u>\$ 254,744</u>
Fund	Transfer In	Fund	Transfer Out
Capital Projects	\$ 250,000	General Fund	\$ 250,000

NOTE G - ACCRUED EXPENSES

Accrued expenses as of June 30, 2019, for the District are as follows:

Accrued retirement and payroll taxes	\$ 17,802
Salaries payable	<u>53,554</u>
Total accrued expenses	<u>\$ 71,356</u>

**STANTON TOWNSHIP PUBLIC SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS - June 30, 2019**

NOTE H - LONG TERM DEBT

2016 Building and Site Bond

On March 4, 2016, the District issued general obligation bonds of \$3,410,000. Proceeds from this bond issue are to be used for the construction of an addition to the building, partially remodeling, furnishing, and refurbishing, and equipping and re-equipping the school; acquiring, installing, and equipping the school for instructional technology; and developing and improving the site.

The bond issue (denominations of \$5,000) matures as indicated below with interest at varying rates of 1% to 3% per annum payable semiannually on the first day of November and May in each year; and shall mature on May 1 in each year until 2042.

Optional Redemption: The bonds or portions of the bonds in multiples of \$5,000 maturing on or after May 1, 2026 are subject to redemption at the option of the District in such order as the District may determine and by lot within any maturity, on any date occurring on or after May 1, 2026 at par plus accrued interest to the date fixed for redemption.

The Bonds due May 1, 2042 are term bonds subject to mandatory redemption in part, by lot, on the redemption dates and in the principal amounts set forth below and at the redemption price equal to the principal amount thereof, without premium, together with interest thereon to the redemption date.

Fiscal Year	November 1	May 1		Total
	Interest	Interest	Principal	
2019-2020	47,031	47,031	85,000	179,062
2020-2021	46,181	46,181	85,000	177,362
2021-2022	45,331	45,331	90,000	180,662
2022-2023	44,431	44,431	95,000	183,862
2023-2024	43,481	43,481	100,000	186,962
2024-2025	42,481	42,481	105,000	189,962
2025-2026	41,431	41,431	110,000	192,862
2026-2027	40,194	40,194	115,000	195,388
2027-2028	38,756	38,756	120,000	197,512
2028-2029	36,956	36,956	125,000	198,912
2029-2030	35,081	35,081	130,000	200,162
2030-2031	33,132	33,132	135,000	201,264
2031-2032	31,106	31,106	140,000	202,212
2032-2033	29,007	29,007	150,000	208,014
2033-2038	108,913	108,913	840,000	1,057,826
2038-2042	34,173	34,173	800,000	868,346
	<u>\$ 697,685</u>	<u>\$ 697,685</u>	<u>\$ 3,225,000</u>	<u>\$ 4,620,370</u>

Installment Purchase Agreement

On July 25, 2018, the District purchased two 2018 Bluebird Buses for \$161,188. The buses were financed with an installment purchase agreement for 60 months at an interest rate of 3.00% in the amount of \$119,868. Payments are made monthly.

Fiscal Year	Interest	Principal	Total
2019-2020	\$ 1,930	\$ 25,849	\$ 27,779
2020-2021	1,154	25,848	27,002
2021-2022	379	24,470	24,849
	<u>\$ 3,463</u>	<u>\$ 76,167</u>	<u>\$ 79,630</u>

**STANTON TOWNSHIP PUBLIC SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS - June 30, 2019**

NOTE H - LONG TERM DEBT (Continued)

Long-term liabilities activity, as reported in and liquidated through the following funds for the fiscal year ended June 30, 2019, was as follows:

	Balance July 01, 2018	Increase	Decrease	Balance June 30, 2019	Current Portion
2016 School Building & Site Bond	\$ 3,300,000	\$ -	\$ 75,000	\$ 3,225,000	\$ 85,000
Bus Loan	40,528	119,868	84,229	76,167	25,849
	<u>3,340,528</u>	<u>119,868</u>	<u>159,229</u>	<u>3,301,167</u>	<u>\$ 110,849</u>
Other Accrued Interest	15,936	-	220	15,716	
Accrued Benefits	12,125	6,585	-	18,710	
Total	<u>\$ 3,368,589</u>	<u>\$ 126,453</u>	<u>\$ 159,449</u>	<u>\$ 3,335,593</u>	

As of June 30, 2019, the aggregate maturities of long-term debt are as follows:

Fiscal Year	Interest	Principal	Total
2019-2020	\$ 95,992	\$ 110,849	\$ 206,841
2020-2021	93,516	110,848	204,364
2021-2022	91,041	114,470	205,511
2022-2023	88,862	95,000	183,862
2023-2024	86,962	100,000	186,962
2024-2025	84,962	105,000	189,962
2025-2026	82,862	110,000	192,862
2026-2027	80,388	115,000	195,388
2027-2028	77,512	120,000	197,512
2028-2029	73,912	125,000	198,912
2029-2030	70,162	130,000	200,162
2030-2031	66,264	135,000	201,264
2031-2032	62,212	140,000	202,212
2032-2033	58,014	150,000	208,014
2033-2038	217,826	840,000	1,057,826
2038-2042	68,346	800,000	868,346
	<u>\$ 1,398,833</u>	<u>\$ 3,301,167</u>	<u>\$ 4,700,000</u>

NOTE I - MICHIGAN PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM (MPSERS) PENSION AND OPEB PLANS

Plan Description

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

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

**STANTON TOWNSHIP PUBLIC SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS - June 30, 2019**

NOTE I - MICHIGAN PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM (MPSERS) PENSION AND OPEB PLANS (Continued)

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

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

The System's financial statements are available on the ORS website at www.michigan.gov/orsschools.

Actuarial Assumptions

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

Additional information as of the latest actuarial valuation follows:

Valuation date	September 30, 2017
Actuarial cost method	Entry age, normal
Wage inflation rate	2.75
Investment rate of return:	
Pension	6.00%-7.05%
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
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 Employee Annuitant Mortality Tables, scaled by 100% and adjusted for mortality improvements using projection scale MP-2017 from 2006.
Other OPEB Assumptions:	
Opt out assumptions	21% of eligible participants hired before July 1, 2008 and 30% of those hired after June 30, 2008 are assumed to opt out of the retiree health plan
Survivor coverage	80% of male retirees and 67% of female retirees are assumed to have coverages continuing after the retiree's death
Coverage election at retirement	75% of male and 60% of female future retirees are assumed to elect coverage for 1 or more dependents.

**STANTON TOWNSHIP PUBLIC SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS - June 30, 2019**

NOTE I - MICHIGAN PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM (MPSERS) PENSION AND OPEB PLANS (Continued)

Notes:

- Assumption changes as a result of an experience study for the period 2012 through 2017 have been adopted by the System for use in the annual pension valuations beginning with the September 30, 2017 valuation. The total pension and OPEB liability as of September 30, 2018, is based on the results of an actuarial valuation date of September 30, 2017, and rolled forward using generally accepted actuarial procedures, including the experience study.
- Recognition period for pension liabilities is the average of the expected remaining service lives of all employees in years which is 4.5304 for non-university employers.
- Recognition period for pension assets in years is 5.0000
- Recognition period for OPEB liabilities is the average of the expected remaining service lives of all employees in years which is 5.6018 for non-university employers.
- Recognition period for OPEB assets in years is 5.0000
- Full actuarial assumptions are available in the 2018 MPSERS Comprehensive Annual Financial Report found on the ORS website at www.michigan.gov/orsschools.

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 pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

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

<u>Investment Category</u>	<u>Target Allocation</u>	<u>Long Term Expected Real Rate of Return*</u>
Domestic Equity Pools	28.0 %	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 rate of return does not include 2.3% inflation

Rate of Return

For the fiscal year ended September 30, 2018, the annual money-weighted rate of return on pension plan investment and OPEB plan investment net of pension plan and OPEB 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.

**STANTON TOWNSHIP PUBLIC SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS - June 30, 2019**

NOTE I - MICHIGAN PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM (MPSERS) PENSION AND OPEB PLANS (Continued)

Discount Rate

A discount rate of 7.05% was used to measure the total pension liability (7.0% for the Pension Plus plan, 6.0% for the Pension Plus 2 plan provided through non-university employers only). This discount rate was based on the long-term expected rate of return on pension plan investments of 7.05% (7.0% for the Pension Plus plan, 6.0% for the Pension Plus 2 plan). A discount rate of 7.15% was used to measure the total OPEB liability. This discount rate was based on the long-term expected rate of return on OPEB plan investments of 7.15%. The projection of cash flows used to determine this discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate.

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

PENSION PLAN

Benefits Provided

Benefit provisions of the defined benefit pension plan are established by State statute, which may be amended. Public Act 300 of 1980, as amended, establishes eligibility and benefit provisions for the defined benefit (DB) pension plan. Depending on the plan option selected, member retirement benefits are determined by final average compensation, years of service, and a pension factor ranging from 1.25 percent to 1.50 percent. DB members are eligible to receive a monthly benefit when they meet certain age and service requirements. The System also provides disability and survivor benefits to DB plan members.

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

Contributions

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

Employer contributions to the System are determined on an actuarial basis using the entry age normal actuarial cost method. Under the method, the actuarial present value of the projected benefits of each individual included in the actuarial valuation is allocated on a level basis over the service of the individual between entry age and assumed exit age. The portion of this cost allocated to the current valuation year is called the normal cost. The remainder is called the actuarial accrued liability. Normal cost is funded on a current basis. The unfunded (overfunded) actuarial accrued liability as of September 30, 2017 valuation will be amortized over a 21-year period for fiscal year beginning October 1, 2017 and ending September 30, 2038.

**STANTON TOWNSHIP PUBLIC SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS - June 30, 2019**

NOTE I - MICHIGAN PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM (MPSERS) PENSION AND OPEB PLANS (Continued)

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

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

Required contributions to the pension plan from Stanton Township Public School District were \$225,592 for the year ended September 30, 2018.

Pension Liabilities

At June 30, 2019, the District reported a liability of \$2,490,503 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 rolled forward from September 2017. The District's proportion of the net pension liability was determined by dividing each employer's statutorily required pension contributions to the system during the measurement period by the percent of pension contributions required from all applicable employers during the measurement period. At September 30, 2018 and 2017, the District's proportion was .00828% and .00824% respectively.

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

For the year ended June 30, 2019, the District recognized total pension expense of \$339,727. This amount excludes contributions funded from state revenue Section 147c restricted to fund the MPSERS Unfunded Actuarial Accrued Liability (UAAL) Stabilization Rate.

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

	Deferred outflows of resources	Deferred inflows of resources
Difference between expected and actual experience	\$ 11,556	\$ 18,098
Changes of assumptions	576,799	-
Net difference between projected and actual earnings on pension plan investments	-	170,287
Changes in proportion and differences between employer contributions and proportionate share of contributions	85,334	14,055
District's contributions subsequent to the measurement date	100,247	-
Total	<u>\$ 773,936</u>	<u>\$ 202,440</u>

\$100,247 reported as deferred outflows of resources related to pensions resulting from employer contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2020.

**STANTON TOWNSHIP PUBLIC SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS - June 30, 2019**

NOTE I - MICHIGAN PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM (MPSERS) PENSION AND OPEB PLANS (Continued)

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

Year Ending September 30	Amount
2019	\$ 192,751
2020	\$ 150,187
2021	\$ 93,977
2022	\$ 34,334

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the District's proportionate share of the net pension liability, calculated using a discount rate of 7.05% for the Basic and Member Investment Plan, 7.0% for the Pension Plus Plan, and 6.0% for the Pension Plus 2 Plan as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher:

	1% Lower (6.05%/6.0%/5.0%)	Discount Rate (7.05%/7.0%/6.0%)	1% Higher (8.05%/8.0%/7.0%)
District's proportionate share of the net pension liability	\$ 3,269,839	\$ 2,490,503	\$ 1,843,002

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued MPSERS CAFR, available on the ORS website at www.michigan.gov/orsschools.

Payable to the Pension Plan

At year end the District is current on all required pension plan payments. Amounts accrued at year end were \$26,401. These amounts represent current payments for June paid in July, accruals for summer pay primarily for teachers and the contributions due funded from state revenue Section 147c restricted to fund the MPSERS Unfunded Actuarial Accrued Liability (UAAL) Stabilization Rate.

OPEB PLAN

Benefits Provided

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

**STANTON TOWNSHIP PUBLIC SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS - June 30, 2019**

NOTE I - MICHIGAN PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM (MPSERS) PENSION AND OPEB PLANS (Continued)

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

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

Contributions

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

Employer OPEB contributions to the System are determined on an actuarial basis using the entry age normal actuarial cost method. Under this method, the actuarial present value of the projected benefits of each individual included in the actuarial valuation is allocated on a level basis over the service of the individual between entry age and assumed exit age. The portion of this cost allocated to the current valuation year is called the normal cost. The remainder is called the actuarial accrued liability. Normal cost is funded on a current basis. The unfunded (overfunded) actuarial accrued liability as of the September 30, 2017 valuation will be amortized over a 21-year period beginning October 1, 2017 and ending September 30, 2038.

The schedule below summarizes OPEB contribution rates in effect for fiscal year 2018.

Benefit Structure	OPEB Contribution Rates	
	Member Rate	Employer
Premium Subsidy	3.0%	6.44%
Personal Healthcare Fund	0.0%	6.13%

Required contributions to the OPEB plan from Stanton Township Public School District were \$54,218 for the year ended September 30, 2018.

OPEB Liabilities

At June 30, 2019, the District reported a liability of \$663,964 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of September 30, 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation rolled forward from September 2017. The District's proportion of the net OPEB liability was determined by dividing each employer's statutorily required pension contributions to the system during the measurement period by the percent of pension contributions required from all applicable employers during the measurement period. At September 30, 2018 and 2017, the District's proportion was .00835% and .00824% respectively.

**STANTON TOWNSHIP PUBLIC SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS - June 30, 2019**

NOTE I - MICHIGAN PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM (MPSERS) PENSION AND OPEB PLANS (Continued)

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

For the year ended June 30, 2019, the District recognized total OPEB expense of \$33,911. This amount excludes contributions funded from state revenue Section 147c restricted to fund the MPSERS Unfunded Actuarial Accrued Liability (UAAL) Stabilization Rate.

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

	Deferred outflows of resources	Deferred inflows of resources
Difference between expected and actual experience	\$ -	\$ 123,581
Changes of assumptions	70,314	-
Net difference between policies and actual earnings on OPEB plan investments	-	25,518
Changes in proportion and differences between reporting using contributions and proportionate share of contributions	8,679	1,815
District's contributions subsequent to the measurement date	44,014	-
Total	<u>\$ 123,007</u>	<u>\$ 150,914</u>

\$44,014 reported as deferred outflows of resources related to OPEB resulting from employer contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2020.

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

Year Ended September 30	Amount
2019	\$ (17,957)
2020	\$ (17,957)
2021	\$ (17,957)
2022	\$ (12,769)
2023	\$ (5,281)

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

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

	1% Decrease (6.15%)	Discount Rate (7.15%)	1% Increase (8.15%)
District's proportionate share of the net pension liability	\$ 797,075	\$ 663,964	\$ 552,001

**STANTON TOWNSHIP PUBLIC SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS - June 30, 2019**

NOTE I - MICHIGAN PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM (MPSERS) PENSION AND OPEB PLANS (Continued)

Sensitivity of the Net OPEB Liability to Healthcare Cost Trend Rate

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

	<u>1% Decrease</u>	<u>Current Healthcare Cost Trend Rate</u>	<u>1% Increase</u>
District's proportionate share of the net pension liability	\$ 546,103	\$ 663,964	\$ 799,175

OPEB Plan Fiduciary Net Position

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

Payable to the OPEB Plan

At year end the District is current on all required OPEB payments. Amounts accrued at year end were \$4,650. These amounts represent current payments for June paid in July, accruals for summer pay primarily for teachers and the contributions due funded from state revenue Section 147c restricted to fund the MPSERS Unfunded Actuarial Accrued Liability (UAAL) Stabilization Rate.

NOTE J - 403(b) RETIREMENT PLAN

The District has a 403(b) plan which is a qualified tax sheltered annuity plan for the benefit of eligible employees. The plan is self administered by the District with a plan year ending December 31. Participants can invest in annuity contracts or custodial accounts which invest in mutual funds. The School District is not required to make contributions. Distributions are governed by IRS regulations.

NOTE K - RECONCILIATION OF MDE GRANT REPORTS

The amounts reported as current payments on MDE grant reports prepared by the State of Michigan, reconcile with the federal revenue on the Governmental Funds - Statement of Revenues, Expenditures and Changes in Fund Balances on page 18 as follows:

Total current payments per MDE Reports	\$ 119,770
USDA Commodities	6,370
Small Rural Achievement Grant - REAP	<u>15,886</u>
Total Federal Financial Assistance	<u>\$ 142,026</u>

The District expended less than \$750,000 in Federal awards during the fiscal year ended June 30, 2019 and is exempt from Federal Single Audit requirements, thus a schedule of federal financial assistance was not prepared.

**STANTON TOWNSHIP PUBLIC SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS - June 30, 2019**

NOTE L - RISK MANAGEMENT

The School District is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation), as well as medical benefits provided to employees. The School District has purchased commercial insurance for general liability and employee medical benefit claims and participates in the SEG Self-insurers Workers' Disability Compensation Fund for claims relating to employee injuries. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

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

NOTE M - UPCOMING ACCOUNTING PRONOUNCEMENTS

In January 2017, the Governmental Accounting Standards Board issued Statement No. 84, Fiduciary Activities which will be effective for the District's 2020 fiscal year. This statement establishes criteria for identifying fiduciary activities of School Districts. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. An activity meeting the criteria should be reported in a fiduciary fund in the basic financial statements.

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

NOTE N - SUBSEQUENT EVENTS

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

The District paid \$88,735 for the purchase and installation of playground equipment which was installed during the month of August 2019.

REQUIRED SUPPLEMENTARY INFORMATION

STANTON TOWNSHIP PUBLIC SCHOOL DISTRICT
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
Year Ended June 30, 2019

	Budgeted Amounts		Actual	Variance Final to Actual
	Original	Final		
Revenues				
Local sources	\$ 343,055	\$ 378,577	\$ 357,036	\$ (21,541)
State sources	1,091,387	1,270,695	1,265,862	(4,833)
Federal sources	64,526	72,120	70,749	(1,371)
Total revenues	<u>1,498,968</u>	<u>1,721,392</u>	<u>1,693,647</u>	<u>(27,745)</u>
Expenditures				
Instruction	906,696	1,000,806	953,430	47,376
Supporting services	603,835	702,857	712,543	(9,686)
Total expenditures	<u>1,510,531</u>	<u>1,703,663</u>	<u>1,665,973</u>	<u>37,690</u>
Excess (deficiency) of revenues over expenditures	(11,563)	17,729	27,674	9,945
Other financing sources (uses)				
Operating transfers in (out)	-	(250,000)	(250,000)	-
Proceeds from loan	119,868	119,868	119,868	-
Proceeds from the sale of capital assets	-	-	61,500	61,500
Debt principal payments	-	(25,897)	(86,898)	(61,001)
Total other financing sources (uses)	<u>119,868</u>	<u>(156,029)</u>	<u>(155,530)</u>	<u>499</u>
Net change in fund balance	<u>\$ 108,305</u>	<u>\$ (138,300)</u>	(127,856)	<u>\$ 10,444</u>
Fund balance - Beginning of year			<u>701,383</u>	
Fund balance - End of year			<u>\$ 573,527</u>	

**STANTON TOWNSHIP PUBLIC SCHOOL DISTRICT
PENSION REQUIREMENTS
Year Ended June 30, 2019**

**SCHEDULE OF THE DISTRICT'S PROPORTIONATE
SHARE OF THE NET PENSION LIABILITY**

Michigan Public School Employees Retirement Plan
Last Five Fiscal Years (Amounts were determined as of 9/30 of each fiscal year)

	<u>9/30/2014</u>	<u>9/30/2015</u>	<u>9/30/2016</u>	<u>9/30/2017</u>	<u>9/30/2018</u>
A. District's proportion of net pension liability	0.00773 %	0.00754 %	0.00789 %	0.00824 %	0.00828 %
B. District's proportionate share of net pension liability	\$ 1,703,510	\$ 1,842,316	\$ 1,969,604	\$ 2,135,220	\$ 2,490,503
C. District's covered payroll	\$ 686,101	\$ 618,660	\$ 680,700	\$ 716,562	\$ 715,029
D. District's proportionate share of net pension liability as a percentage of its covered payroll	248.29 %	297.79 %	289.35 %	297.98 %	348.31 %
E. Plan fiduciary net position as a percentage of total pension liability	66.20 %	63.17 %	63.26 %	64.21 %	62.36 %

SCHEDULE OF THE DISTRICT'S CONTRIBUTIONS

Michigan Public School Employees Retirement Plan
Last Five Fiscal Years (Amounts were determined as of 6/30 of each fiscal year)

	<u>6/30/2015</u>	<u>6/30/2016</u>	<u>6/30/2017</u>	<u>6/30/2018</u>	<u>6/30/2019</u>
A. Statutorily required contributions	\$ 139,315	\$ 126,779	\$ 131,693	\$ 129,748	\$ 127,155
B. Contributions in relation to statutorily required contributions	139,315	126,779	131,693	129,748	127,155
C. Contribution deficiency (excess)	<u>\$ -</u>				
D. District's covered payroll	\$ 650,544	\$ 649,222	\$ 687,100	\$ 735,602	\$ 719,739
E. Contributions as a percentage of covered payroll	21.42 %	19.53 %	19.17 %	17.64 %	17.67 %

**STANTON TOWNSHIP PUBLIC SCHOOL DISTRICT
OPEB REQUIREMENTS
Year Ended June 30, 2019**

**SCHEDULE OF THE DISTRICT'S PROPORTIONATE
SHARE OF NET OPEB LIABILITY**

Michigan Public School Employees Retirement Plan
(Amounts were determined as of 9/30 of each plan year)

	<u>9/30/2017</u>	<u>9/30/2018</u>
A. District's proportion of net OPEB liability	0.00824 %	0.00835 %
B. District's proportionate share of net OPEB liability	\$ 729,596	\$ 663,964
C. District's covered payroll	\$ 716,562	\$ 715,029
D. District's proportionate share of net OPEB liability as a percentage of its covered payroll	101.82 %	92.86 %
E. Plan fiduciary net position as a percentage of total OPEB liability	36.39 %	42.95 %

SCHEDULE OF THE DISTRICT'S OPEB CONTRIBUTIONS

Michigan Public School Employees Retirement Plan
(Amounts were determined as of 6/30 of each fiscal year)

	<u>6/30/2018</u>	<u>6/30/2019</u>
A. Statutorily required contributions	\$ 52,902	\$ 55,685
B. Contributions in relation to statutorily required contributions	52,902	55,685
C. Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
D. District's covered payroll	\$ 735,602	\$ 719,739
E. Contributions as a percentage of covered payroll	7.19 %	7.74 %

**STANTON TOWNSHIP PUBLIC SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - June 30, 2019**

Pension Information

Ten years of data are required in the pension related schedules. The number of years presented as of June 30, 2019 represent the number of years since the accounting standard requiring these schedules came into effect.

NOTE A - CHANGE OF BENEFIT TERMS

There were no changes of benefit terms in 2018.

NOTE B - CHANGE OF ASSUMPTIONS

During the year, MPSERS approved a decrease in the discount rate for the September 30, 2018 annual actuarial valuation of 0.45 percent from 7.50% to 7.05% for the non-hybrid plan.

OPEB Information

Ten years of data are required in the OPEB related schedules. The number of years presented as of June 30, 2019 represent the number of yeasts since the accounting standard requiring these schedules came into effect.

NOTE A - CHANGE OF BENEFIT TERMS

There were no changes of benefit terms in 2018.

NOTE B - CHANGE OF ASSUMPTIONS

During the year, MPSERS approved a decrease in the discount rate for the September 30, 2018 annual actuarial valuation of 0.35 percent from 7.50% to 7.15% for the OPEB plan.

OTHER SUPPLEMENTAL FINANCIAL INFORMATION

STANTON TOWNSHIP PUBLIC SCHOOL DISTRICT
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGE IN FUND BALANCE
Year Ended June 30, 2019

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues			
Local sources			
Taxes	\$ 325,164	\$ 320,172	\$ (4,992)
Other taxes	-	7,293	7,293
Earnings on investments	2,000	9,344	7,344
Athletics	-	1,103	1,103
Contributions	300	200	(100)
Miscellaneous	51,113	18,924	(32,189)
Total local sources	<u>378,577</u>	<u>357,036</u>	<u>(21,541)</u>
State sources			
Unrestricted grants			
State aid	1,064,067	1,064,067	-
Restricted grants			
At-risk	77,660	71,395	(6,265)
MPERS prefunding	92,543	92,543	-
MPERS cost offset	17,890	17,890	-
MPERS reform	984	2,413	1,429
Data collection	4,523	4,522	(1)
Early literacy	4,247	4,247	-
Isolated district	8,781	8,785	4
Total restricted grants	<u>206,628</u>	<u>201,795</u>	<u>(4,833)</u>
Total state sources	<u>1,270,695</u>	<u>1,265,862</u>	<u>(4,833)</u>
Federal sources			
Title I	35,044	35,044	-
Title II	11,190	11,190	-
Title IV	10,000	8,629	(1,371)
REAP	15,886	15,886	-
Total federal sources	<u>72,120</u>	<u>70,749</u>	<u>(1,371)</u>
Total revenues	<u>1,721,392</u>	<u>1,693,647</u>	<u>(27,745)</u>
Expenditures			
Instruction			
Basic program			
Elementary school	840,623	827,172	13,451
Total basic program	<u>840,623</u>	<u>827,172</u>	<u>13,451</u>
Added needs			
Compensatory education	67,238	54,863	12,375
At-risk	92,945	71,395	21,550
Total added needs	<u>160,183</u>	<u>126,258</u>	<u>33,925</u>
Total instruction	<u>1,000,806</u>	<u>953,430</u>	<u>47,376</u>

STANTON TOWNSHIP PUBLIC SCHOOL DISTRICT
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGE IN FUND BALANCE (Continued)
Year Ended June 30, 2019

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Supporting services			
General administration			
Board of education	\$ 21,080	\$ 21,371	\$ (291)
Business-fiscal services	41,454	44,411	(2,957)
Executive administration	226,017	230,810	(4,793)
Total general administration	<u>288,551</u>	<u>296,592</u>	<u>(8,041)</u>
Instructional staff	600	563	37
Operations & maintenance	124,507	144,747	(20,240)
Pupil transportation	243,494	239,979	3,515
Technology	23,500	10,795	12,705
Athletics	12,205	9,935	2,270
Site improvements	10,000	9,932	68
Total supporting services	<u>702,257</u>	<u>712,543</u>	<u>(9,723)</u>
Total expenditures	<u>1,693,663</u>	<u>1,665,973</u>	<u>37,585</u>
Excess (deficiency) of revenues over expenditures	27,729	27,674	(55)
Other financing sources (uses)			
Operating transfers in (out)	(250,000)	(250,000)	-
Proceeds from loan	119,868	119,868	-
Proceeds from the sale of capital assets	-	61,500	61,500
Debt principal payments	<u>(25,897)</u>	<u>(86,898)</u>	<u>(61,001)</u>
Total other financing sources (uses)	<u>(156,029)</u>	<u>(155,530)</u>	<u>499</u>
Net change in fund balance	<u>\$ (128,300)</u>	(127,856)	<u>\$ 444</u>
Fund balance - Beginning of year		<u>701,383</u>	
Fund balance - End of year		<u>\$ 573,527</u>	

STANTON TOWNSHIP PUBLIC SCHOOL DISTRICT
NON-MAJOR
COMBINING BALANCE SHEET

	<u>Debt Retirement</u>	<u>Food Service Fund</u>	<u>Capital Projects</u>	<u>Total</u>
Assets				
Cash and cash equivalents	\$ -	\$ 2,344	\$ -	\$ 2,344
Restricted investments	61,333	-	1,423	62,756
Receivables	-	528	-	528
Due from governmental units	-	175	-	175
Due from other funds	-	11,080	243,664	254,744
Total assets	<u>\$ 61,333</u>	<u>\$ 14,127</u>	<u>\$ 245,087</u>	<u>\$ 320,547</u>
Fund balances				
Restricted	<u>\$ 61,333</u>	<u>\$ 14,127</u>	<u>\$ 245,087</u>	<u>\$ 320,547</u>

STANTON TOWNSHIP PUBLIC SCHOOL DISTRICT
NON-MAJOR
COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
Year Ended June 30, 2019

	Debt <u>Retirement</u>	Food Service <u>Fund</u>	<u>Capital Projects</u>	<u>Total</u>
Revenues				
Taxes	\$ 165,896	\$ -	\$ -	\$ 165,896
Student meals	-	9,601	-	9,601
Federal sources	-	64,907	-	64,907
Adult lunches	-	1,071	-	1,071
Special milk	-	464	-	464
State sources	-	2,280	-	2,280
USDA entitlements	-	6,370	-	6,370
Earnings on investments	1,587	4	161	1,752
Miscellaneous	-	47	-	47
Total revenues	<u>167,483</u>	<u>84,744</u>	<u>161</u>	<u>252,388</u>
Expenditures				
Food service	-	78,136	-	78,136
Building improvements	-	-	12,001	12,001
Interest expense	95,563	-	-	95,563
Other expense	500	-	100	600
Total expenditures	<u>96,063</u>	<u>78,136</u>	<u>12,101</u>	<u>186,300</u>
Excess (deficiency) of revenues over expenditures	<u>71,420</u>	<u>6,608</u>	<u>(11,940)</u>	<u>66,088</u>
Other financing sources (uses)				
Operating transfers in (out)	-	-	250,000	250,000
Debt principal payments	<u>(75,000)</u>	<u>-</u>	<u>-</u>	<u>(75,000)</u>
Total other financing sources (uses)	<u>(75,000)</u>	<u>-</u>	<u>250,000</u>	<u>175,000</u>
Net change in fund balances	(3,580)	6,608	238,060	241,088
Fund balances - Beginning of year	<u>64,913</u>	<u>7,519</u>	<u>7,027</u>	<u>79,459</u>
Fund balances - End of year	<u>\$ 61,333</u>	<u>\$ 14,127</u>	<u>\$ 245,087</u>	<u>\$ 320,547</u>

STANTON TOWNSHIP PUBLIC SCHOOL DISTRICT
FOOD SERVICE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGE IN FUND BALANCE
Year Ended June 30, 2019

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues			
Local sources			
Student meals	\$ 8,000	\$ 9,601	\$ 1,601
Adult lunches	800	1,071	271
Special milk	300	464	164
Earnings on investments	-	4	4
Miscellaneous	-	47	47
Total local sources	<u>9,100</u>	<u>11,187</u>	<u>2,087</u>
State sources	<u>680</u>	<u>2,280</u>	<u>1,600</u>
Federal sources			
School lunch program	64,600	64,907	307
USDA entitlements	6,800	6,370	(430)
Total federal sources	<u>71,400</u>	<u>71,277</u>	<u>(123)</u>
Total revenues	<u>81,180</u>	<u>84,744</u>	<u>3,564</u>
Expenditures			
Salaries	21,794	21,479	315
Employee benefits	12,603	13,615	(1,012)
Purchased services	43,351	43,042	309
Total expenditures	<u>77,748</u>	<u>78,136</u>	<u>(388)</u>
Net change in fund balance	<u>\$ 3,432</u>	6,608	<u>\$ 3,176</u>
Fund balance - Beginning of year		<u>7,519</u>	
Fund balance - End of year		<u>\$ 14,127</u>	

COMMUNICATIONS SECTION

RUKKILA | NEGRO AND ASSOCIATES

Certified Public Accountants, PC

310 Sheldon Avenue, Houghton, Michigan 49931
906.482.6601 906.482.9046 fax www.rukkilanegro.com

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
Stanton Township Public School District
Atlantic Mine, 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 Stanton Township Public School District as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated October 31, 2019.

Internal Control Over Financial Reporting

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

Purpose of this Report

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

*Rukkila, Negro & Associates,
Certified Public Accountants, PC*

October 31, 2019

RUKKILA | NEGRO AND ASSOCIATES

Certified Public Accountants, PC

310 Sheldon Avenue, Houghton, Michigan 49931
906.482.6601 906.482.9046 fax www.rukkilanegro.com

COMMUNICATION WITH THOSE CHARGED WITH GOVERNANCE

To the Board of Education
Stanton Township Public School District
Atlantic Mine, Michigan

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Stanton Township Public School District for the year ended June 30, 2019. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and, if applicable Government Auditing Standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated July 24, 2019. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Stanton Township Public School District are described in Note A to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year ended June 30, 2019. We noted no transactions entered into by Stanton Township Public School District during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

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

Management's estimate of the liability of the payout for the employee compensated absences upon their retirement is based on expected payout:

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

Management's estimate of the lives of capital assets:

- We evaluated the key factors and assumptions used to develop the estimated life span of the capital assets in determining that it is reasonable in relation to the financial statements taken as a whole.

Management's estimate of the net pension and net OPEB liability:

- We evaluated the key factors and assumptions used to develop the liabilities related to the Municipal Employees' Retirement System of Michigan, which are based on actuarial valuations.

Difficulties Encountered in Performing the Audit

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

Corrected and Uncorrected Misstatements

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

Disagreements with Management

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

Management Representations

We have requested certain representations from management that are included in the management representation letter dated October 31, 2019.

Management Consultations with Other Independent Accountants

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

Other Audit Findings or Issues

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

Other Matters

We applied certain limited procedures to the budgetary comparison schedules and Schedules related to the Proportionate Share and Contributions of the District's Net Pension Liability, which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

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

Restriction on Use

This information is intended solely for the use of the Stanton Township Public School District board and management and is not intended to be and should not be used for anyone other than these specified parties.

*Rukkila, Negro & Associates,
Certified Public Accountants, PC*

October 31, 2019

**STANTON TOWNSHIP PUBLIC SCHOOL DISTRICT
COMMENTS AND RECOMMENDATIONS
JUNE 30, 2019**

During our audit we became aware of an opportunity for strengthening internal controls and operating efficiencies. The following item summarizes our comment and suggestion regarding this matter.

We will review the status of this comment during our next audit engagement. We have already discussed this comment and suggestion with various personnel, and we will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations.

Budget Review

The Uniform Budgeting Act requires entities to approve an operating budget prior to the beginning of the year and that all amendments to budget made throughout the year are approved. Districts shall not incur expenditures in excess of the amount appropriated. The approved budgets of these funds were adopted on an activity and/or program level. During the year ended June 30, 2019, the District incurred expenditures which were in excess of the amounts appropriated as shown within the required supplemental financial information.

The District should control expenditures in each governmental fund so as not to exceed the amounts appropriated. When this is not possible, the budget should be amended accordingly. We recommend that the District review the provisions of Public Act 2 of 1968, as amended, to determine proper compliance procedures.

Grant Requirements

The federal program Title IV Part A Student Support & Academic Enrichment grant funds were fully requested. Payments to districts are on a reimbursement basis only. The District has deferred revenue in the amount of \$1,371 at year end. Expenditures were misclassified causing the grant funds to be inappropriately requested. We recommend procedures be put in place to review the appropriateness of expenditures prior to requesting grant revenue.