

479 E. CHICAGO STREET  
P.O. BOX 215  
JONESVILLE, MI 49250

PHONE: 517-849-2410  
FAX: 517-849-2493  
[www.baileyhodshire.com](http://www.baileyhodshire.com)

## INDEPENDENT AUDITOR'S REPORT

To the Board of Education  
Jonesville Community Schools  
Jonesville, 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 Jonesville Community Schools, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise Jonesville Community Schools' basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

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

### **Auditor's Responsibility**

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

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

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

### **Opinions**

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

### **Other Matters**

#### *Required Supplementary Information*

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

#### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Jonesville Community Schools' basic financial statements. The combining and individual nonmajor fund financial statements and other schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and is also not a required part of the basic financial statements.

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

**Other Reporting Required by Government Auditing Standards**

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

*Bailey, Hodshire & Company, P.C.*

Jonesville, Michigan  
October 8, 2019

Jonesville Community Schools  
Management's Discussion and Analysis  
Year Ended June 30, 2019

This section of the Jonesville Community Schools annual financial report represents administration's discussion and analysis of the District's financial performance during the fiscal year that ended on June 30, 2019, with comparative information for the prior fiscal year.

**Financial Highlights**

- The General Fund had a net increase in fund balance of \$253,407. The total General Fund fund balance, at the end of the fiscal year, was \$2,279,877, or approximately 15.8% of total General Fund expenditures for 2018-2019.
- The appropriations for 2018-2019 were made in June 2018, before the start of the fiscal year. At that time a yearly deficit of (\$209,573) was adopted

**Using this Annual Report**

This annual report consists of a series of financial statements and notes to those statements. The statements are organized so the reader can understand the District financially as a whole. The government-wide financial statements provide information about the activities of the whole District, presenting both an aggregate view of the District's finances and a longer-term view of those finances. The financial statements then proceed to provide an increasingly detailed look at specific financial activities included in the fund financial statements. For governmental activities, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements provide information about the District's major funds. All other funds are presented in one column as non-major funds.

**Reporting the District as a Whole**

**The Statement of Net Position and Statement of Activities** - The district-wide statements report information about the District as a whole using the accrual basis of accounting, which is similar to the accounting used by private-sector corporations. However, the District's goal is to provide services to our students, not to generate profits as private-sector corporations do. The Statement of Net Position includes all of the District's assets and liabilities. 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 government-wide statements report the District's net position and how it has changed. Net position - the difference between the District's assets and liabilities – is one way to measure the District's financial health or position.

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

To assess the overall financial health of the District, you need to consider additional non-financial factors such as the changes in the District's property tax base, political conditions at the State Capital, student enrollment growth or decline, birth rates, and facility conditions in arriving at the overall conclusion regarding the overall health of the District.

Jonesville Community Schools  
Management's Discussion and Analysis  
Year Ended June 30, 2019

**Governmental Activities** - The District's basic services are considered to be governmental activities, including instruction, support services, athletics, and food service. Property taxes and State formula aid finance most of these activities.

The government-wide financial statements can be found on pages 9-10 of this report.

**Reporting the District's Most Significant Funds**

**Fund Financial Statements** - The fund financial statements provide detailed information about the most significant funds - not the District as a whole. The fund financial statements begin on page 11 and provide information about the most significant funds. The fund statements are formatted to comply with the legal requirements of the Michigan Department of Education's "Accounting Manual." The District's two types of funds, governmental funds and fiduciary funds, use different accounting practices as further discussed in the notes to the financial statements.

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

**Governmental Funds** - Most of the District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using an accounting method called modified accrual accounting, which measures cash and other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the District's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or less financial resources available to spend in the near future to finance the District's programs. The relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is reconciled in the basic financial statements.

The basic governmental fund financial statements can be found on pages 11 and 13-14 of this report.

**Fiduciary Funds** - The District is the fiduciary for various student group activities and scholarships. We exclude these activities from the District's other financial statements because the assets cannot be utilized by the District to finance its operations. The District's fiduciary activities are reported in a separate Statement of Assets and Liabilities on page 16.

Jonesville Community Schools  
Management's Discussion and Analysis  
Year Ended June 30, 2019

**Additional Information** - The Notes to the Financial Statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to financial statements can be found on pages 17-39 of this report.

**Government-Wide Financial Analysis**

The following is a summary of Jonesville Community Schools' net position as of June 30, 2018 and 2019:

	2018	2019
<b>ASSETS</b>		
Current assets	\$ 4,813,212	\$ 5,904,470
Capital assets (net)	22,126,565	21,493,465
Total assets	<u>\$ 26,939,777</u>	<u>\$ 27,397,935</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Pension	\$ 5,136,572	\$ 7,945,113
Other postemployment benefits (OPEB)	560,201	1,384,574
Total deferred outflows of resources	<u>\$ 5,696,773</u>	<u>\$ 9,329,687</u>
<b>LIABILITIES</b>		
Current liabilities	\$ 2,572,694	\$ 3,139,685
Long-term liabilities:		
Due within one year	2,155,000	2,195,000
Due in more than one year:		
Net pension liability	22,038,244	25,774,718
Net OPEB liability	7,517,658	6,848,687
Other amounts	18,194,056	17,497,922
Total liabilities	<u>\$ 52,477,652</u>	<u>\$ 55,456,012</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Pension	\$ 1,175,238	\$ 1,971,125
OPEB	254,152	1,539,314
Bond Refunding	438,949	400,835
Total deferred inflows of resources	<u>\$ 1,868,339</u>	<u>\$ 3,911,274</u>
<b>NET POSITION</b>		
Net investment in capital assets	\$ 1,393,453	\$ 1,422,712
Restricted	311,075	602,469
Unrestricted	(23,413,969)	(24,664,845)
Total net position	<u>\$ (21,709,441)</u>	<u>\$ (22,639,664)</u>

The above analysis focuses on the net position. The change in net position of the District's governmental activities is discussed below. Net position differs from fund balance, and a reconciliation appears on page 12.

A portion of the District's net position reflects its investment in capital assets (i.e. land, buildings, vehicles, and equipment) less any related debt used to acquire those assets that is still outstanding. The District uses these assets to provide services to students; consequently, these assets are not available for

Jonesville Community Schools  
Management's Discussion and Analysis  
Year Ended June 30, 2019

future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. An additional portion of the District's net position represents resources that are subject to external restrictions on how they may be used (i.e. employee benefits, food service, and debt service).

The following is a summary of the changes in net position for the years ended June 30, 2018 and 2019:

	2018	2019
Program revenues:		
Charges for services	\$ 324,751	\$ 323,085
Operating grants and contributions	1,088,666	1,080,570
Capital grants and contributions	0	203,614
General revenues:		
Property taxes	2,214,257	2,301,348
Unrestricted grants and State aid	12,599,556	12,726,798
Other	182,677	278,530
Total revenues	<u>\$ 16,409,907</u>	<u>\$ 16,913,945</u>
Functions/Program Expenses:		
Instruction	\$ 9,682,227	\$ 10,500,032
Support services	4,948,314	5,349,849
Community services	788	816
Food service activities	754,987	822,130
Interest and other costs	566,898	485,977
Depreciation (unallocated)	671,775	685,364
Total expenses	<u>\$ 16,624,989</u>	<u>\$ 17,844,168</u>
Increase (decrease) in net position	<u><u>\$ (215,082)</u></u>	<u><u>\$ (930,223)</u></u>

**General Fund Budgeting and Operating Highlights**

The Board of Education is updated monthly on actual to budget figures. They are also constantly kept informed of all issues that will have an impact on our budget(s) and provided updates throughout the year of projected net income (loss) for the year with all changes that are known.

The General Fund actual revenue and other financing sources was \$14,795,610. That amount is lower than the amended budget of \$14,842,629.

The actual expenditures and other financing uses of the General Fund were \$14,542,203 which is lower than the amended budget estimate of \$15,025,109.

The General Fund had total revenues and other sources of \$14,795,610 and total expenditures and other uses of \$14,542,203 with a net change in fund balance of \$253,407 and an ending fund balance of \$2,279,877.

Jonesville Community Schools  
Management's Discussion and Analysis  
Year Ended June 30, 2019

**Capital Asset and Debt Administration**

Capital Assets - At the end of fiscal year 2019, Jonesville Community Schools had \$32,224,606 invested in land and buildings, furniture and equipment, and vehicles. Of this amount, \$10,731,141 in depreciation has been taken over the years. We currently have a net book value of \$21,493,465.

	2018	2019
Land	\$ 684,950	\$ 684,950
Buildings and improvements	30,131,356	30,145,247
Furniture and equipment	1,253,136	1,291,509
Vehicles	102,900	102,900
Total capital assets	\$ 32,172,342	\$ 32,224,606
Less accumulated depreciation	(10,045,777)	(10,731,141)
Net capital assets	<u>\$ 22,126,565</u>	<u>\$ 21,493,465</u>

Long-Term Debt - At June 30, 2019, Jonesville Community Schools had \$52,316,327 total long-term debt outstanding. Total governmental activities long-term debt consisted of:

	2018	2019
General obligation debts	\$ 19,744,908	\$ 17,545,433
School Bond Loan	452,228	2,006,924
Net Pension Liability	22,038,244	25,774,718
Net Postemployment Benefit Liability	7,517,658	6,848,687
Compensated Absences	151,920	140,565
Total long term debt	<u>\$ 49,904,958</u>	<u>\$ 52,316,327</u>

**Factors Bearing on the District's Future**

At the time that these financial statements were prepared and audited, the District was not aware of any circumstances that could significantly affect its financial health in the future.

**Requests for Information**

This financial report is designed to provide a general overview of the Jonesville Community School's finances for our citizens, taxpayers, investors, and all those interested in the District's finances. Questions concerning any of the information provided in this report should be addressed to:

Jared Jordan, Business Manager  
Jonesville Community Schools  
115 East Street  
Jonesville, MI 49250



JONESVILLE COMMUNITY SCHOOLS  
STATEMENT OF NET POSITION  
FOR THE YEAR ENDED JUNE 30, 2019

ASSETS

Cash	\$ 3,130,002
Investments	410,247
Accounts Receivable	14,739
Due from Other Governmental Units	2,315,260
Inventory	8,411
Prepaid Expense	25,811
Capital Assets, Net of Accumulated Depreciation	21,493,465
Total Assets	<u>\$ 27,397,935</u>

DEFERRED OUTFLOWS RESOURCES

Pension	\$ 7,945,113
Other Postemployment Benefits (OPEB)	1,384,574
Total Deferred Outflow of Resources	<u>\$ 9,329,687</u>

LIABILITIES

Accounts Payable	\$ 16,941
Salaries Payable	1,486,882
Interest Payable	141,259
Notes Payable	1,300,000
Unearned Revenue	194,603
Long-Term Liabilities:	
Due Within One Year	2,195,000
Due In More Than One Year:	
Net Pension Liability	25,774,718
Net OPEB Liability	6,848,687
Other Amounts Due in more Than One Year	17,497,922
Total Liabilities	<u>\$ 55,456,012</u>

DEFERRED INFLOWS OF RESOURCES

Pension	\$ 1,971,125
OPEB	1,539,314
Bond Refunding	400,835
Total Deferred Inflows of Resources	<u>\$ 3,911,274</u>

NET POSITION

Net Investment in Capital Assets	\$ 1,422,712
Restricted for:	
Food Service	175,309
Debt Service	427,160
Unrestricted	(24,664,845)
Total Net Position	<u><u>\$ (22,639,664)</u></u>

JONESVILLE COMMUNITY SCHOOLS  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2019

		Functions/Programs			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Net (Expense) Revenue
Instruction					
Basic Programs					
GSRP	\$ 249,219	\$ 7,068	\$ 0	\$ 0	\$ (242,151)
Elementary School	4,230,613	0	4,740	29,878	(4,195,995)
Middle School	1,929,547	0	0	0	(1,929,547)
High School	2,828,526	3,890	214,888	0	(2,609,748)
Summer School	9,045	2,750	0	0	(6,295)
Added Needs					
Special Education	733,041	7,918	0	0	(725,123)
Compensatory Education	228,410	0	186,963	0	(41,447)
Career and Technical Education	291,631	0	0	0	(291,631)
Support Services					
Pupil Services	670,086	0	0	0	(670,086)
Instructional Staff	156,103	0	50,288	0	(105,815)
General Administration	369,858	0	0	0	(369,858)
School Administration	958,618	0	0	0	(958,618)
Business Services	233,338	0	0	0	(233,338)
Operation & Maintenance	1,470,784	0	0	173,736	(1,297,048)
Pupil Transportation	817,436	0	0	0	(817,436)
Central Services	223,000	0	0	0	(223,000)
Athletics	450,626	72,221	45,798	0	(332,607)
Community Activities	816	0	0	0	(816)
Food Service	822,130	229,238	577,893	0	(14,999)
Depreciation - Unallocated	685,364	0	0	0	(685,364)
Debt Service - Interest and Other Costs	485,977	0	0	0	(485,977)
Total Governmental Activities	<u>\$ 17,844,168</u>	<u>\$ 323,085</u>	<u>\$ 1,080,570</u>	<u>\$ 203,614</u>	<u>\$ (16,236,899)</u>
General Revenues:					
Property Tax, levied for general purposes					\$ 931,248
Property Tax, levied for debt service					1,370,100
State School Aid					12,726,798
Grants and contributions not restricted to specific programs					95,637
Unrestricted investment earnings					25,248
Miscellaneous					157,645
Total General Revenues					<u>\$ 15,306,676</u>
Change in Net Position					\$ (930,223)
Net Position – Beginning					<u>(21,709,441)</u>
Net Position – Ending					<u><u>\$ (22,639,664)</u></u>

JONESVILLE COMMUNITY SCHOOLS  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2019

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS			
Cash	\$ 3,081,197	\$ 48,805	\$ 3,130,002
Investments	410,247	0	410,247
Accounts Receivable	3,550	11,189	14,739
Due from Other Funds	0	578,161	578,161
Due from Other Governmental Units	2,315,260	0	2,315,260
Inventory	0	8,411	8,411
Prepaid Expenditures	25,811	0	25,811
Total Assets	<u>\$ 5,836,065</u>	<u>\$ 646,566</u>	<u>\$ 6,482,631</u>
LIABILITIES			
Accounts Payable	\$ 16,941	\$ 0	\$ 16,941
Due to Other Funds	578,161	0	578,161
Interest Payable	23,698	0	23,698
Salaries & Benefits Payable	1,454,499	32,383	1,486,882
Notes Payable	1,300,000	0	1,300,000
Unearned Revenue	182,889	11,714	194,603
Total Liabilities	<u>\$ 3,556,188</u>	<u>\$ 44,097</u>	<u>\$ 3,600,285</u>
FUND BALANCES			
Nonspendable	\$ 25,811	\$ 8,411	\$ 34,222
Restricted	0	594,058	594,058
Committed	0	0	0
Assigned	100,676	0	100,676
Unassigned	2,153,390	0	2,153,390
Total Fund Balances	<u>\$ 2,279,877</u>	<u>\$ 602,469</u>	<u>\$ 2,882,346</u>
Total Liabilities and Fund Balances	<u>\$ 5,836,065</u>	<u>\$ 646,566</u>	<u>\$ 6,482,631</u>

JONESVILLE COMMUNITY SCHOOLS  
Reconciliation of Fund Balances on the Balance Sheet  
for Governmental Funds to Net Position of  
Governmental Activities on the Statement of Net Position  
June 30, 2019

Fund balances - total governmental funds	\$ 2,882,346
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the fund financial statements.	32,224,606
Accumulated depreciation has not been included in the governmental fund financial statements.	(10,731,141)
Bonds and installment loans payable are not due and payable in the current period and, therefore, are not reported in the funds.	(19,111,924)
Interest is accrued on outstanding long-term debt in the government-wide financial statements, whereas in the governmental fund financial statements, an interest expenditure is reported when due.	(117,561)
Compensated absences are accrued in the government-wide financial statements whereas in the governmental fund financial statements, an expenditure is reported when paid.	(140,565)
Bond premiums reported as an other financing source in the governmental fund financial statements are deferred and amortized in the government-wide financial statements.	(440,433)
Deferred inflows of resources as the result of bond refunding, net of amortization, are not reported in the fund financial statements.	(400,835)
The liabilities for net pension and net OPEB are not due and payable in the current period; therefore, the liability and related deferred inflow/outflows are not reported in governmental funds:	
Deferred outflows –pension	7,945,113
Deferred inflows –pension	(1,971,125)
Net pension liability	(25,774,718)
Deferred outflows-OPEB	1,384,574
Deferred inflows-OPEB	(1,539,314)
Net OPEB liability	(6,848,687)
Net position of governmental activities	<u><u>\$ (22,639,664)</u></u>

JONESVILLE COMMUNITY SCHOOLS  
STATEMENT OF REVENUE, EXPENDITURES  
AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2019

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
REVENUE			
Local Sources			
Property Taxes	\$ 931,247	\$ 1,370,101	\$ 2,301,348
Perry Trust Revenue	194,841	0	194,841
Other Local Revenue	632,045	189,907	821,952
State Sources	12,726,798	112,596	12,839,394
Federal Sources	238,047	553,935	791,982
Total Revenue	<u>\$ 14,722,978</u>	<u>\$ 2,226,539</u>	<u>\$ 16,949,517</u>
EXPENDITURES			
Instruction			
Basic Programs			
GSRP	\$ 223,762	\$ 0	\$ 223,762
Elementary	3,794,538	0	3,794,538
Middle School	1,700,497	0	1,700,497
High School	2,550,602	0	2,550,602
Summer School	6,056	0	6,056
Added Needs			
Special Education	669,873	0	669,873
Compensatory Education	197,030	0	197,030
Career and Technical Education	261,884	0	261,884
Support Services			
Pupil Services	612,053	0	612,053
Instructional Staff	142,622	0	142,622
General Administration	339,895	0	339,895
School Administration	853,441	0	853,441
Business Services	215,179	0	215,179
Operation & Maintenance	1,399,048	0	1,399,048
Pupil Transportation	771,966	0	771,966
Central Services	202,371	0	202,371
Athletic Activities	431,435	0	431,435

JONESVILLE COMMUNITY SCHOOLS  
STATEMENT OF REVENUE, EXPENDITURES  
AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2019  
(continued)

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
EXPENDITURES (continued)			
Community Activities	\$ 816	\$ 0	\$ 816
Food Service	0	779,937	779,937
Debt Service			
Principal	0	2,155,000	2,155,000
Interest	0	545,043	545,043
Other Costs	0	2,988	2,988
Capital Outlay – Depreciable	52,264	0	52,264
Total Expenditures	<u>\$ 14,425,332</u>	<u>\$ 3,482,968</u>	<u>\$ 17,908,300</u>
REVENUE OVER (UNDER) EXPENDITURES	<u>\$ 297,646</u>	<u>\$ (1,256,429)</u>	<u>\$ (958,783)</u>
OTHER FINANCING SOURCES (USES)			
Operating Transfers In	\$ 48,665	\$ 1,331	\$ 49,996
Other Sources	23,967	1,595,157	1,619,124
Operating Transfers Out	(1,331)	(48,665)	(49,996)
Other Uses	(115,540)	0	(115,540)
Total Other Financing Sources (Uses)	<u>\$ (44,239)</u>	<u>\$ 1,547,823</u>	<u>\$ 1,503,584</u>
REVENUE AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	<u>\$ 253,407</u>	<u>\$ 291,394</u>	<u>\$ 544,801</u>
FUND BALANCES - Beginning of year	<u>2,026,470</u>	<u>311,075</u>	<u>2,337,545</u>
FUND BALANCES – End of year	<u><u>\$ 2,279,877</u></u>	<u><u>\$ 602,469</u></u>	<u><u>\$ 2,882,346</u></u>

JONESVILLE COMMUNITY SCHOOLS  
Reconciliation of Statement of Revenue, Expenditures  
and Changes in Fund Balances of Governmental Funds  
to the Statement of Activities  
For the Year Ended June 30, 2019

Net changes in fund balances - total governmental funds \$ 544,801

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Purchase/acquisition of capital assets	52,264
Depreciation expense	(685,364)

Bond proceeds provide current financial resources to governmental funds in the period issued, but issuing bonds increases long-term debt in the statement of net position. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term debt in the statement of net position.

Proceeds from school bond loan fund	(1,554,696)
Principal payments on long-term debt	2,155,000
Amortization of bond premiums and discounts	44,475
Amortization of deferred income on bond refunding	38,114

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the funds.

Change in net pension liability and related deferred amounts	(1,723,820)
Change in net OPEB liability and related deferred amounts	208,182
Change in accrued interest payable on bonds and notes payable	(20,534)
Change in the accrual for compensated absences	11,355

Change in net position of governmental activities	\$ (930,223)
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JONESVILLE COMMUNITY SCHOOLS  
STATEMENT OF ASSETS AND LIABILITIES  
AGENCY FUND  
JUNE 30, 2019

ASSETS

Cash	<u>\$ 208,736</u>
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LIABILITIES

Due to Student Groups	<u>\$ 208,736</u>
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JONESVILLE COMMUNITY SCHOOLS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Jonesville Community Schools is a K-12 public school district with an enrollment of approximately 1,443 students. The District operates under a locally elected seven-member Board of Education, and the administrative staff is headed by a Superintendent. The District's boundaries encompass parts of Hillsdale County and Branch County in the State of Michigan.

The accounting policies of Jonesville Community Schools conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations).

The following is a summary of significant accounting policies used by Jonesville Community Schools:

**Reporting Entity**

A reporting entity is comprised of the primary government, component units and other organizations that are included to ensure the financial statements are not misleading. The primary government of the District consists of all funds, departments, boards and agencies that are not legally separate from the District.

Component units are legally separate organizations for which the District is financially accountable. Component units may also include organizations that are fiscally dependent on the District in that the District approves their budget, the issuance of their debt, or the levying of taxes. The District has no component units.

**Government-Wide and Fund Financial Statements**

Government-Wide Financial Statements - The statement of net position and the statement of activities display information about the District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. For the most part, the effect of interfund activity has been removed from these statements.

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each function or program of the District's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and are therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Property taxes, State Aid, and other items not properly included among program revenues are reported as general revenues. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the District.

Fund Financial Statements - Fund financial statements report detailed information about the District. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by fund type.

JONESVILLE COMMUNITY SCHOOLS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Measurement Focus and Basis of Accounting**

The government-wide statements are prepared using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when the liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenue 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.

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 to be collected with the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenue to be available if it is collected within sixty days of the end of the current fiscal period. Expenditures generally are recorded when the liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

Under the modified accrual basis, the property taxes, interest, and grants are considered to be both measurable and available at fiscal year-end. Grants and entitlements received before the eligibility requirements are met are recorded as unearned revenue. The fair value of donated commodities used during the year is reported in the operating statement as an expense with a like amount reported as donated commodities revenue. Unused donated commodities are reported as inventory.

**Financial Statement Presentation**

The District uses funds to maintain its financial records during the fiscal year. Fund accounting is designed to demonstrate legal compliance and to aid management by segregating transactions related to certain District functions or activities. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts.

The District reports the following major governmental fund:

General Fund - The general fund is used to account for all financial resources except those required to be accounted for in another fund. The general fund balance is available for any purpose provided it is expended or transferred according to the laws of the State of Michigan.

Additionally, the District reports the following fund types:

Special Revenue Funds - Special Revenue funds are used to account for the proceeds of specific revenue sources (other than special assessments, expendable trust, or major capital projects) that are legally restricted to expenditures for specified purposes (i.e. food service).

Debt Retirement Funds - Debt Retirement Funds are used to account for the accumulation of resources for the payment of general long-term principal, interest, and related costs.

JONESVILLE COMMUNITY SCHOOLS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

Fiduciary Funds - Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds and agency funds. Trust funds are used to account for assets held by the District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the District's own programs. The District has no trust funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

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

Bank Deposits and Investments - Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with a maturity of three months or less. During the fiscal year ended June 30, 2019, investments were limited to two government investment pools. Investments in these accounts are stated at cost which approximates market value.

Inventories - Food service inventories are stated at cost. Federal government food commodities inventories are stated at their assigned U.S.D.A. value. All inventories are charged to expenditures when consumed.

Capital Assets - General capital assets result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net position but not reported in the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The District maintains a capitalization threshold of \$5,000. The District does not possess any infrastructure. Improvements are capitalized; the cost of normal maintenance and repairs that do not add to the value of the asset or materially extend an assets life are not. Interest incurred during the construction of capital assets is also capitalized.

All reported capital assets are depreciated. Improvements are depreciated over the remaining useful lives of the related assets. Depreciation is computed using the straight-line method over the following useful lives:

<u>Description</u>	<u>Estimated Lives</u>
Buildings & Improvements	20 - 50 years
Furniture & Equipment	5 - 20 years
Vehicles and Buses	5 years

**Deferred Outflows/Inflows of Resources**

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then.

JONESVILLE COMMUNITY SCHOOLS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

Compensated Absences - It is the School District's policy to permit employees to accumulate earned but unused personal days. Personal days are accrued when earned in the government-wide financial statements. A liability is reported in governmental funds only if they have matured, for example, as a result of employee resignation, retirement, or death.

Interfund Balances - On fund financial statements, receivables and payables resulting from short-term interfund loans are reported as "due to/from other funds." These amounts are eliminated on the government-wide statement of net position.

Long-Term Obligations - In the government-wide financial statements, all payables, accrued liabilities and long-term obligations are reported as liabilities in the statement of net position. Bonds payable are recorded net of the applicable bond premium or discount. Bond premiums and discounts are deferred and amortized over the term of the related debt. Debt issuance costs, with the exception of prepaid insurance, are expensed in the current period. In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources, while discounts are reported as other financing uses. Issuance costs are reported as debt retirement expenditures.

Fund Balance - In accordance with Governmental Account Standards Board (GASB) Statement No. 54, *Fund Balance Reporting and Governmental Fund-type Definitions*, the fund financial statements report the following components of fund balance:

- **Nonspendable:** Amounts that are not in a spendable form or are legally or contractually required to be maintained intact.
- **Restricted:** Amounts that are legally restricted by outside parties, constitutional provisions, or enabling legislation for use for a specific purpose.
- **Committed:** Amounts that have been formally set aside by the School Board for use for specific purposes. Commitments are made and can be rescinded only by a resolution of the School Board.
- **Assigned:** Amounts that are intended to be spent on specific purposes, as expressed by the School Board or by a committee or individual designated by the School Board.
- **Unassigned:** Amounts that are available for day-to-day operations.

The District considers restricted funds to be spent first when expenditures are incurred for which both restricted and unrestricted amounts are available.

The District considers that committed amounts would be reduced first, followed by assigned amounts, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

JONESVILLE COMMUNITY SCHOOLS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

Pension Plan – 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.

Interfund Activity - Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles 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.

**NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

Budgetary Information - The budgetary process is prescribed by provisions of the State of Michigan Budget Act and entails the preparation of budgetary documents within an established timetable. The legal level of budgetary control has been established by the Board of Education at the function level. Any budgetary modifications may only be made by resolution of the Board of Education. All annual appropriations lapse at fiscal year end.

The District follows these procedures in establishing the budgets for the individual funds as reflected in the financial statements:

- 1) Prior to June 30, the Superintendent submits to the School Board a proposed operating budget for the fiscal year commencing on July 1.
- 2) A public hearing is conducted during June to obtain taxpayer comments.
- 3) Prior to June 30, the budget is legally enacted through passage of a resolution.
- 4) For purposes of meeting emergency needs of the District, transfer of appropriations may be made by the authorization of the Superintendent. Such transfers of appropriations must be approved by the Board of Education at its next regularly scheduled meeting.
- 5) The Superintendent is charged with general supervision of the budget and shall hold the department heads responsible for performance of their responsibilities.
- 6) During the year the budget is monitored, and amendments to the budget resolution are made when deemed necessary.

JONESVILLE COMMUNITY SCHOOLS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019

**NOTE 2- STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (continued)**

During the year, the District incurred expenditures which were in excess of the amounts appropriated:

Fund	Description	Budget	Actual	Variance
General Fund	Business Services	\$ 203,051	\$ 215,179	\$ 12,128
General Fund	Capital Outlay	22,386	52,264	29,878
General Fund	Operating Transfers Out	0	1,331	1,331

**NOTE 3 - DEPOSITS AND INVESTMENTS**

State law authorizes the District to deposit and invest in the accounts of Federally insured banks, credit unions, and savings and loan associations; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States; United States government or Federal agency obligations; repurchase agreements; bankers' acceptance of United States banks; commercial paper rated by two standard rating agencies within the two highest classifications, which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan. As of June 30, 2019, the District's deposit and investments are in accordance with statutory authority.

The District uses financial institutions for cash purposes. The accounts maintained in the financial institutions are checking, savings, and certificates of deposit. The interest rates of the checking and savings accounts are at variable daily rates. For investment purposes, the District uses a pooled investment account.

The District's bank deposits at June 30, 2019, were as follows:

	Governmental Activities	Fiduciary Funds	Total Government
Checking accounts	\$ 77,875	\$ 69,326	\$ 147,201
Savings accounts	10,463	139,410	149,873
Insured cash sweep account	3,041,664	0	3,041,664
	<u>\$ 3,130,002</u>	<u>\$ 208,736</u>	<u>\$ 3,338,738</u>

The District had the following investments at June 30, 2019:

	Fair Value	Weighted Average Maturity (Years)	Standard & Poor's Rating
Michigan Liquid Asset Fund Plus (MILAF+)	\$ 253,730	0.0027	AAAm
Michigan Cooperative Liquid Assets Security System (Michigan CLASS)	156,517	0.0027	AAAm
Portfolio weighted average maturity	<u>\$ 410,247</u>	<u>0.0027</u>	

(One day maturity equals 0.0027, one year equals 1.00)

JONESVILLE COMMUNITY SCHOOLS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019

**NOTE 3 - DEPOSITS AND INVESTMENTS (continued)**

The District's deposits and investments are subject to several types of risk, which are examined in more detail as follows:

*Interest Rate Risk* - In accordance with its investment policy, the District minimizes interest rate risk, which is the risk that market value of securities in the portfolio will fall due to changes in the 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 by limiting the average maturity in accordance with the District's cash requirements.

*Credit Risk* - Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The District minimizes credit risk by limiting investments to the types of securities allowed by State law. The District's investment policy puts no further limits on its investment choices.

*Concentration of Credit Risk* - The District minimizes concentration of credit risk, which is the risk of loss attributed to magnitude of the District's investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized. The District's policy states that, except for U.S. Treasury Securities and other securities completely guaranteed by the Treasury, no more than 5% of the portfolio may consist of one type of security.

*Custodial Credit Risk (Deposits)* - In the case of deposits, this is the risk that in the event of a financial institution failure, the District's deposits may not be recovered. As of June 30, 2019, \$95,892 of the District's bank balance of \$3,387,556 was exposed to custodial credit risk because it was uninsured. Certificates of deposits and money market accounts are included in the above totals. The District believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the District evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution. Only those institutions with an acceptable estimated risk level are used as depositories.

*Foreign Currency Risk* - The District is not authorized to invest in investments which have this type of risk.

**Fair Value Measurement** - The Districts is required to disclosed investment 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 - inputs are quoted market prices in active markets for identical assets or liabilities that are accessible at the measurement date. An "active market" is a market in which transactions of the asset or liability occur with sufficient frequency and volume to provide pricing information on an ongoing basis.

Level 2 - inputs are from other than quoted market prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. These inputs include quoted market prices of similar assets or liabilities in active markets, quoted market prices for identical or similar assets or liabilities in markets that are not active, and pricing models developed principally from inputs from or corroborated by observable market data by correlation or other means.

JONESVILLE COMMUNITY SCHOOLS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019

**NOTE 3 - DEPOSITS AND INVESTMENTS (continued)**

Level 3 – inputs are unobservable and allowed in situations where there is little, if any, market activity for the asset or liability at the measurement date. These inputs reflect the reporting entity's own assumptions about assumptions that would be used by market participants.

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 fair value measurement for both the MILAF+ and the Michigan Class investments is Level 2.

**NOTE 4 - RECEIVABLES**

Receivables at June 30, 2019, consist of property taxes and intergovernmental grants. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of property taxes, the stable condition of State programs, and the current year guarantee of federal funds.

A summary of the principal items of receivables follows:

	General Fund	Food Service Fund
State Aid	\$ 2,238,942	\$ 0
Federal Grants	71,642	0
Other Local Sources	8,226	11,189
Total	<u>\$ 2,318,810</u>	<u>\$ 11,189</u>

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

Unearned Revenue:

General Fund	\$ 182,889
Food Service Fund	11,714
Total	<u>\$ 194,603</u>

**NOTE 5 - FUND BALANCE CONSTRAINTS**

Fund balances have been constrained for the following purposes:

	General Fund	Food Service Fund	Debt Retirement Funds
Nonspendable:			
Inventory	\$ 0	\$ 8,411	\$ 0
Prepaid Expense	25,811	0	0
Restricted:			
Food Service	0	166,898	0
Debt Service	0	0	594,058
Assigned:			
Robotics	5,706	0	0
Curriculum Supplies	94,970	0	0



**JONESVILLE COMMUNITY SCHOOLS**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

**NOTE 6 - CAPITAL ASSETS**

Capital asset activity for the fiscal year ended June 30, 2019, was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
Capital assets not being depreciated				
Land	\$ 684,950	\$ 0	\$ 0	\$ 684,950
Capital assets being depreciated				
Buildings & Improvements	\$ 30,131,356	\$ 13,891	\$ 0	\$ 30,145,247
Furniture & Equipment	1,253,136	38,373	0	1,291,509
Vehicles	102,900	0	0	102,900
Subtotal	\$ 31,487,392	\$ 52,264	\$ 0	\$ 31,539,656
Less accumulated depreciation for				
Buildings & Improvements	\$ (9,023,108)	\$ (626,876)	\$ 0	\$ (9,649,984)
Furniture & Equipment	(937,942)	(54,853)	0	(992,795)
Vehicles	(84,727)	(3,635)	0	(88,362)
Subtotal	\$ (10,045,777)	\$ (685,364)	\$ 0	\$ (10,731,141)
Total capital assets being depreciated, net	\$ 21,441,615	\$ (633,100)	\$ 0	\$ 20,808,515
Total capital assets, net	\$ 22,126,565	\$ (633,100)	\$ 0	\$ 21,493,465

The District has determined that it is impractical to allocate depreciation to the various governmental activities as the assets serve multiple functions.

**NOTE 7 - INTERFUND RECEIVABLES AND PAYABLES**

The composition of interfund balances at June 30, 2019, is as follows:

Fund	Interfund Receivable	Fund	Interfund Payable
Food Service	\$ 151,004	General	\$ 151,004
2015 Debt Service	190,443	General	190,443
2017 Debt Service	236,714	General	236,714
	<u>\$ 578,161</u>		<u>\$ 578,161</u>

These amounts relate mainly to the consolidation of cash in the General Fund to maximize investment return.

Interfund transfers during the year consisted of the following:

Transfer from Food Service Fund to General Fund	\$ 48,665
Transfer from General Fund to Food Service Fund	1,331

The transfer from Food Service Fund to General Fund was made to cover indirect costs for the current year paid for by the General Fund that related to Food Service. The transfer from General Fund to Food Service Fund was made to reimburse the Food Service Fund for uncollectible accounts.

JONESVILLE COMMUNITY SCHOOLS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019

**NOTE 8 - SHORT-TERM DEBT**

The following table outlines the District's short-term debt activity for the year ended June 30, 2019:

Balance June 30, 2018	Additions	Payments	Balance June 30, 2019
\$ 800,000	\$ 1,300,000	\$ (800,000)	\$ 1,300,000

Short-term debt is issued by the District to provide for cash flow needs between State Aid payments.

**NOTE 9 - COMPENSATED ABSENCES**

Vested or accumulated personal days that are expected to be liquidated with expendable available financial resources are reported as an expenditure and a fund liability of the governmental fund that will pay it. The entire compensated absence liability is reported on the government-wide financial statements. For teachers, personal days are earned at the rate of 13 days per year with a cap of between 90 and 200 days (caps above 90 were grandfathered at June 30, 2007). Each year, unused personal days (over the cap) are reimbursed at \$50 for the first ten days over and \$25 for any remaining unused days. Upon retirement, up to 175 accrued personal days will be paid at the rate of \$75 per day. The policy for payment of personal days to support personnel varies by job description.

**NOTE 10 - LONG-TERM DEBT**

The District issues bonds to provide for the acquisition and construction of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the government. Installment purchase agreements are also general obligations of the government.

**Bonds Payable**

On November 1, 1999, the District issued \$17,710,000 in general obligation – limited tax bonds for the purpose of erecting, furnishing, and equipping a new high school; erecting, furnishing and equipping additions to and partially remodeling, refurnishing and re-equipping the elementary school; partially remodeling, refurnishing and re-equipping the existing high school for middle school purposes; partially remodeling, refurnishing and re-equipping the existing science building for the administrative office purposes; acquiring and installing educational technology; developing and improving outdoor physical education facilities and sites; and acquiring a site for the high school.

On March 30, 2005, due to favorable interest rates, the District issued general obligation refunding bonds to advance refund the majority of the 1999 bond issue. The \$16,315,000 issuance proceeds were used to purchase securities that were placed in an escrow account for the future debt service payments on the refunded debt. During 2008-09, the principal balance of the non-callable 1999 bonds was paid off.

On September 29, 2015, the District issued general obligation refunding bonds to advance the 2005 bond issue. The \$12,650,000 issuance proceeds were used to purchase securities that were placed in an escrow account for the future debt service payments on the refunded debt. The refunded debt is considered defeased, and the applicable liabilities have been removed from the statement of net position. At June 30, 2019, the principal balance of the 2015 Refunding Bonds was \$9,400,000.

**JONESVILLE COMMUNITY SCHOOLS**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

**NOTE 10 - LONG-TERM DEBT (Continued)**

**Bonds Payable (continued)**

On July 9, 2008, the District issued general obligation – unlimited tax bonds for the purpose of partially remodeling, furnishing and refurbishing, equipping and re-equipping school facilities; erecting, furnishing and equipping a classroom addition to Williams Elementary School and improving and relocating the playground, if necessary, to accommodate the addition; acquiring, installing and equipment educational technology; equipping and improving athletic fields; acquiring school buses; and developing and improving sites. The bonds are dated July 23, 2008, in the aggregate amount of \$7,175,000 and require annual payments of principal and semi-annual payments of interest. The interest rate varies from 4.0% to 4.3% per annum.

On February 23, 2017, due to favorable interest rates, the District issued \$8,965,000 in general obligation-limited tax bonds to advance refund the majority of the 2008 Building and Site Bonds and to pay off the School Bond Loan. Issuance proceeds of \$4,540,000 were used to purchase securities that were placed in an escrow account for the future debt service payments on the refunded debt. Issuance proceeds of \$4,425,000 were used to pay the principal and accrued interest on the School Bond Loan. At June 30, 2019, the principal balance of the 2017 Refunding Bonds was \$7,705,000.

**School Bond Loan**

The District borrowed from the School Bond Loan Fund from 1999 through 2004 to help pay principal and interest payments on the 1999 Bonds that came due. Payments of principal and interest began in the 2005-06 fiscal year but were suspended in 2008-09 after issuance of the 2008 Building and Site Bonds. The District borrowed from the Fund again in the years 2010 through 2016. The Loan was paid off in February, 2017 by the 2017 Refunding Bonds. There were additional borrowings in 2016-17, 2017-18, and 2018-19. The principal balance at June 30, 2019 was \$2,006,924.

Long-term debt activity for the year is summarized as follows:

	Balance 6/30/2018	Increases	Payments/ Reductions	Balance 6/30/2019
General Obligation Bonds				
2015 Refunding Bonds and Premium	\$ 10,535,750	\$ 0	\$ (915,062)	\$ 9,620,688
2017 Refunding Bonds and Premium	9,209,158	0	(1,284,413)	7,924,745
School Bond Loan	452,228	1,554,696	0	2,006,924
Net Pension Liability	22,038,244	3,736,474	0	25,774,718
Net OPEB Liability	7,517,658	0	(668,971)	6,848,687
Compensated Absences	151,920	0	(11,355)	140,565
	<u>\$ 49,904,958</u>	<u>\$ 5,291,170</u>	<u>\$ (2,879,801)</u>	<u>\$ 52,316,327</u>

Interest rates, maturity dates, and current portions for the above obligations are as follows:

	Interest Rate(s)	Maturity Date	Current Portion
2015 Refunding Bonds and Premium	2.0%-3.125%	5/1/2029	\$ 910,000
2017 Refunding Bonds and Premium			
Series A	3.0%-4.0%	5/1/2028	425,000
Series B	1.68%-2.89%	5/1/2023	860,000
			<u>\$ 2,195,000</u>

**JONESVILLE COMMUNITY SCHOOLS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019**

Annual debt service requirements to maturity for the above obligations are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>
2020	\$ 2,195,000	\$ 500,561
2021	2,250,000	452,154
2022	2,315,000	390,198
2023	2,385,000	324,639
2024	1,445,000	254,112
2025-2029	6,515,000	599,960
Total	<u>\$ 17,105,000</u>	<u>\$ 2,521,624</u>
Premium on Bond Issuance	440,433	0
School Bond Loan	2,006,924	34,134
Net Pension Liability	25,774,718	0
Net OPEB Liability	6,848,687	0
Compensated Absences	140,565	0
	<u><u>\$ 52,316,327</u></u>	<u><u>\$ 2,555,758</u></u>

**NOTE 11 - PROPERTY TAXES**

The School District levies its property taxes on December 1 on the taxable valuation of property located in the school district as of the preceding December 31. Various municipalities collect the property taxes and remit them to the District through March. The delinquent real property taxes of the District are purchased by the County, and delinquent personal property taxes continue to be collected by the municipalities and forwarded to the School District as they are collected. The total levy for 2018 was 18.0 mills on non-homestead valuation for operational purposes, and 8.3 mills on total valuation for debt retirement. The 2018 taxable valuation of the District totaled approximately \$168,185,000.

**NOTE 12 - DEFINED BENEFIT PLAN AND POST RETIREMENT BENEFITS**

**Plan Description**

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

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

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

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

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**NOTE 12 - DEFINED BENEFIT PLAN AND POST RETIREMENT BENEFITS (continued)**

**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% to 1.5%. DB members are eligible to receive a monthly benefit when they meet certain age and service requirements. The System also provides disability and survivor benefits to DB plan members.

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

**Contributions**

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

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

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

**Pension Contribution Rates**

<u>Benefit Structure</u>	<u>Member</u>	<u>Employer</u>
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%

Regular contributions to the pension plan from Jonesville Community Schools were \$2,334,694 for the year ended September 30, 2018.

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

At June 30, 2019, Jonesville Community Schools reported a liability of \$25,774,718 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. Jonesville Community Schools' proportion of the net pension liability was determined by dividing each employer's statutorily required pension contributions to the system during the measurement period by the percent of pension contributions required from all applicable employers during the measurement period. At September 30, 2018, the Jonesville Community Schools' proportion was 0.08573909% which was an increase of .00069614% from its proportion measured at September 30, 2017.

JONESVILLE COMMUNITY SCHOOLS  
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**NOTE 12 - DEFINED BENEFIT PLAN AND POST RETIREMENT BENEFITS (continued)**

For the year ended June 30, 2019 Jonesville Community Schools recognized total pension expense of \$3,735,990. At June 30, 2019 Jonesville Community Schools 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
Differences between expected and actual experience	\$ 119,600	\$ 187,300
Changes of assumptions	5,669,404	0
Net difference between projected and actual earnings on pension plan investments	0	1,762,336
Changes in proportion and differences between Employer contributions and proportionate share of contributions	806,697	21,489
Employer contributions subsequent to the measurement date	1,349,412	0
Total	<u>\$ 7,945,113</u>	<u>\$ 1,971,125</u>

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

<u>Plan year Ending September 30:</u>	<u>Amount</u>
2019	\$ 2,125,379
2020	1,475,861
2021	956,582
2022	366,754

**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 historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

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**NOTE 12 - DEFINED BENEFIT PLAN AND POST RETIREMENT BENEFITS (continued)**

Additional information as of the latest actuarial valuation follows:

**Summary of Actuarial Assumptions**

Actuarial Assumptions

Valuation Date:	September 30, 2017
Actuarial Cost Method:	Entry Age, Normal
Wage Inflation Rate:	2.75%
Investment Rate of Return:	
- MIP Basic Plans	7.05%
- Pension Plus Plan	7.00%
- Pension Plus 2	6.00%
Projected Salary Increases:	2.75%-11.55% including wage inflation at 2.75%
Cost-of-Living Pension Adjustments	3.0% Annual Non-Compounded for MIP Members
Mortality: Retirees:	RP-2014 Male and Female Health 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:	P-2014 Male and Female Employee Annuitant Mortality Tables, scaled 100% and adjusted for mortality improvements using projection scale MP-2017 from 2006.

Notes:

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

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**NOTE 12 - DEFINED BENEFIT PLAN AND POST RETIREMENT BENEFITS (continued)**

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

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of September 30, 2018, are summarized in the following table:

<b>Asset Class</b>	<b>Target Allocation</b>	<b>Long Term Expected Real Rate of Return*</b>
Domestic Equity Pools	28.0%	5.7%
Private Equity Pools	18.0	9.2
International Equity	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
<b>Total</b>	<b>100.00%</b>	

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

**Rate of Return**

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

**Discount Rate**

A discount rate of 7.05% was used to measure the total pension liability (7.0% for the Pension Plus Plan, 6.0% for the Pension Plus 2 Plan provided through non-university employers only). This discount rate was based on the long term expected rate of return on pension plan investments of 7.05% (7.0% for the Pension Plus Plan, 6.0% for the Pension Plus 2 Plan). The projection of cash flows used to determine this discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.



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**NOTE 12 - DEFINED BENEFIT PLAN AND POST RETIREMENT BENEFITS (continued)**

**Sensitivity of Jonesville Community School's proportionate share of the net pension liability to changes in the discount rate**

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

<b>Current Single Discount Rate</b>		
<b>1% Decrease</b>	<b>Assumption</b>	<b>1% Increase</b>
<b>6.05% / 6.0% / 5.0%</b>	<b>7.05% / 7.5% / 6.0%</b>	<b>8.05% / 8.0% / 7.0%</b>
\$33,840,214	\$25,774,718	\$19,073,602

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

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

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

**NOTE 13 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS**

**Plan Description**

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

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

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

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

**Benefits Provided**

Benefit provisions of the postemployment healthcare plan are established by State statute, which may be amended. Public Act 300 of 1980, as amended, establishes eligibility and benefit provisions. Retirees have the option of health coverage, which, through 2012, was funded on a cash disbursement basis. Beginning fiscal year 2013, it is funded on a prefunded basis. The System has contracted to provide the comprehensive group medical, prescription drug, dental and vision coverage for retirees and beneficiaries. A subsidized portion of the premium is paid by the System with the balance deducted from the monthly pension of each retiree healthcare recipient. For members who first worked before July 1, 2008, (Basic, MIP-Fixed, and MIP

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**NOTE 13 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (continued)**

Graded plan members) the subsidy is the maximum allowed by statute. To limit future liabilities of Other Postemployment Benefits, members who first worked on or after July 1, 2008 (MIP-Plus plan members) have a graded premium subsidy based on career length where they accrue credit towards their insurance premiums in retirement, not to exceed the maximum allowable by statute. Public Act 300 of 2012 sets the maximum subsidy at 80% beginning January 1, 2013; 90% for those Medicare eligible and enrolled in the insurances as of that date. Dependents are eligible for healthcare coverage if they meet the dependency requirements set forth in Public Act 300 of 1980, as amended.

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

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

**Contributions**

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

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

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

**OPEB Contribution Rates**

<b><u>Benefit Structure</u></b>	<b><u>Member</u></b>	<b><u>Employer</u></b>
Premium Subsidy	3.0 %	6.44 %
Personal Healthcare Fund (PHF)	0.0 %	6.13 %

Required contributions to the OPEB plan from Jonesville Community Schools were \$559,251 for the year ended September 30, 2018.

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**NOTE 13 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (continued)**

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

At June 30, 2019, Jonesville Community Schools reported a liability of \$6,848,687 for its proportionate share of the MPSERS net OPEB liability. The net OPEB liability was measured as of September 30, 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation rolled forward from September 2017. Jonesville Community Schools' proportion of the net OPEB liability was determined by dividing each employer's statutorily required OPEB contributions to the system during the measurement period by the percent of OPEB contributions required from all applicable employers during the measurement period. At September 30, 2018, Jonesville Community Schools' proportion was .08615836 percent, which was an increase of .00126555 percent from its proportion measured as of October 1, 2017.

For the year ending June 30, 2019, Jonesville Community Schools recognized OPEB expense of \$354,773. At June 30, 2019, Jonesville Community Schools 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
Differences between actual and expected experience	\$ 0	\$ 1,274,717
Changes of Assumptions	725,279	0
Net difference between projected and actual earnings on OPEB plan investments	0	263,211
Changes in proportion and differences between employer contributions and proportionate share of contributions	95,453	1,386
Employer contributions subsequent to the measurement date	<u>563,842</u>	<u>0</u>
Total	<u>\$ 1,384,574</u>	<u>\$ 1,539,314</u>

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

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

2019	180,231
2020	180,231
2021	180,231
2022	126,552

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**NOTE 13 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (continued)**

**Actuarial Assumptions**

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

Additional information as of the latest actuarial valuation follows:

**Summary of Actuarial Assumptions**

Valuation Date:	September 30, 2017
Actuarial Cost Method:	Entry Age, Normal
Wage Inflation Rate:	2.75%
Investment Rate of Return:	7.15%
Projected Salary Increases:	2.75% - 11.55%, including wage inflation at 2.75%
Healthcare Cost Trend Rate:	7.5% Year 1 graded to 3.0% Year 12
Mortality: Retirees:	RP-2014 Male and Female Healthy Annuitant Mortality Tables, scaled by 82% for males and 78% for females and adjusted for mortality improvements using projection scale MP-2017 from 2006.
Active Members:	RP-2014 Male and Female Employee Annuitant Mortality Tables, scaled 100% and adjusted for mortality improvements using projection scale MP-2017 from 2006.
Other Assumptions:	
Opt Out Assumptions	21% of eligible participants hired before July 1, 2008 and 30% of those hired after June 30, 2008 are assumed to opt out of the retiree health plan
Survivor Coverage	80% of male retirees and 67% of female retirees are assumed to have coverages continuing after the retiree's death
Coverage Election at Retirement	75% of male and 60% of female future retirees are assumed to elect coverage for 1 or more dependents.

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 OPEB valuations beginning with the September 30, 2017 valuation. The total OPEB liability as of September 30, 2018, is based on the results of an actuarial valuation date of September 30, 2017, and rolled forward using generally accepted actuarial procedures, including the experience study.
- Recognition period for liabilities is the average of the expected remaining service lives of all employees in years: 5.6018
- Recognition period for assets in years is 5.0000
- Full actuarial assumptions are available in the 2018 MPSERS Comprehensive Annual Financial Report found on the ORS website at [www.michigan.gov/orsschools](http://www.michigan.gov/orsschools).

**JONESVILLE COMMUNITY SCHOOLS**  
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**NOTE 13 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (continued)**

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

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the OPEB plan's target asset allocation as of September 30, 2018, are summarized in the following table:

<u>Asset Class</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
<b>TOTAL</b>	<b>100.0%</b>	

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

**Rate of Return**

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

**Discount Rate**

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

**Sensitivity of Jonesville Community Schools' proportionate share of the net OPEB liability to changes in the discount rate**

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

<b>1% Decrease</b>	<b>Current Discount Rate</b>	<b>1% Increase</b>
6.15%	7.15%	8.15%
\$ 8,221,709	\$ 6,848,687	\$ 5,593,807

JONESVILLE COMMUNITY SCHOOLS  
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**NOTE 13 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (continued)**

**Sensitivity of Jonesville Community Schools’ proportionate share of the net OPEB liability to Healthcare Cost Trend Rate**

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

<b>1% Decrease</b>	<b>Current Healthcare Cost Trend Rate</b>	<b>1% Increase</b>
\$ 5,632,969	\$ 6,848,687	\$ 8,243,362

**OPEB Plan Fiduciary Net Position**

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

**NOTE 14 - RISK MANAGEMENT**

The School District is exposed to various risks of loss related to property loss, torts, errors and omissions, employee injuries, as well as medical benefits provided to employees. The School District has purchased commercial insurance for medical benefits and participates in the MASB-SEG Property/Casualty risk pool for the remaining areas of risk. There has been no significant reduction in coverages, and settled claims have not exceeded the amount of insurance coverage in any of the past three fiscal years.

The MASB/SEG Property/Casualty Pool, Inc. is a public entity risk pool (self-insurance pool) which provides for reinsurance by various insurance companies at various levels, depending on coverage. Should the pool experience significant losses in the aggregate, the District may be required to pay additional monies to the pool. At present, the pool has not required additional funds, but rather has issued refunds based on experience gains over experience losses over the last few years.

**NOTE 15 - UNEMPLOYMENT TAXES**

The District is a reimbursing employer to the Michigan Unemployment Insurance Agency and, as such, is responsible to pay the Agency for those benefits paid and charged to its account. As of June 30, appropriate liabilities have been recorded for all claims paid by the Agency. However, no provision has been made for future payments that might result from claims in process or not filed.

**NOTE 16 - COMMITMENTS**

At its June, 2019, meeting, the Board approved the borrowing of up to \$1,250,000 in anticipation of State Aid for the 2019-20 school year.

**NOTE 17 – SUBSEQUENT EVENTS**

Management has evaluated subsequent events through October 8, 2019, the date on which the financial statements were available to be issued.

JONESVILLE COMMUNITY SCHOOLS  
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**NOTE 18 – TAX ABATEMENTS**

Governmental Accounting Standards Board (GASB) Statement No. 77, *Tax Abatement Disclosures* requires the disclosure of tax abatement information about (1) a reporting government's own tax abatement agreements and (2) those that are entered into by other governments and that reduce the reporting government's tax revenue. Disclosure of information about the nature and magnitude of tax abatements is intended to make these transactions more transparent to financial statement users.

The District receives reduced property tax revenues as a result of Industrial Facilities Tax exemptions, granted by the City of Jonesville and Fayette Township. Industrial facility exemptions are intended to promote construction of new industrial facilities, or to rehabilitate historical facilities. The property taxes abated for all funds under this program were as follows:

<u>Municipality</u>	<u>Taxes abated</u>
City of Jonesville	\$ 40,981
Fayette Township	5,364
	<u>\$ 46,345</u>

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

**NOTE 19 – UPCOMING ACCOUNTING PRONOUNCEMENTS**

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

GASB Statement No. 87, *Leases*, was issued 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 and of resources of 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.

**JONESVILLE COMMUNITY SCHOOLS**  
**SCHEDULE OF REVENUE, EXPENDITURES AND CHANGES**  
**IN FUND BALANCE - BUDGET AND ACTUAL**  
**GENERAL FUND**  
**FOR THE YEAR ENDED JUNE 30, 2019**

		Budget Amounts		Actual
	Original	Final	Actual	Over (Under) Final Budget
REVENUE				
Local Sources	\$ 1,344,136	\$ 1,691,664	\$ 1,758,133	\$ 66,469
State Sources	12,626,696	12,879,824	12,726,798	(153,026)
Federal Sources	215,705	206,692	238,047	31,355
Total Revenue	<u>\$ 14,186,537</u>	<u>\$ 14,778,180</u>	<u>\$ 14,722,978</u>	<u>\$ (55,202)</u>
EXPENDITURES				
Instruction				
Basic Programs	\$ 8,437,932	\$ 8,409,321	\$ 8,275,455	\$ (133,866)
Added Needs	959,214	1,198,418	1,128,787	(69,631)
Support Services				
Pupil Services	602,690	735,181	612,053	(123,128)
Instructional Staff	149,562	152,327	142,622	(9,705)
General Administration	309,756	343,829	339,895	(3,934)
School Administration	1,006,191	911,667	853,441	(58,226)
Business Services	196,385	203,051	215,179	12,128
Operation & Maintenance	1,263,430	1,446,289	1,399,048	(47,241)
Pupil Transportation	839,892	840,800	771,966	(68,834)
Central Services	163,950	207,771	202,371	(5,400)
Athletic Activities	394,988	434,669	431,435	(3,234)
Community Activities	6,400	3,500	816	(2,684)
Capital Outlay	10,000	22,386	52,264	29,878
Total Expenditures	<u>\$ 14,340,390</u>	<u>\$ 14,909,209</u>	<u>\$ 14,425,332</u>	<u>\$ (483,877)</u>
REVENUE OVER (UNDER) EXPENDITURES	<u>\$ (153,853)</u>	<u>\$ (131,029)</u>	<u>\$ 297,646</u>	<u>\$ 428,675</u>
OTHER FINANCING SOURCES (USES)				
Operating Transfers in	\$ 40,482	\$ 40,482	\$ 48,665	\$ 8,183
Other Sources	19,698	23,967	23,967	0
Operating Transfers Out	0	0	(1,331)	(1,331)
Other Uses	(115,900)	(115,900)	(115,540)	360
Total Other Financing Sources (Uses)	<u>\$ (55,720)</u>	<u>\$ (51,451)</u>	<u>\$ (44,239)</u>	<u>\$ 7,212</u>
REVENUE & OTHER SOURCES OVER (UNDER) EXPENDITURES & OTHER USES	<u>\$ (209,573)</u>	<u>\$ (182,480)</u>	<u>\$ 253,407</u>	<u>\$ 435,887</u>
FUND BALANCES - Beginning	2,026,470	2,026,470	2,026,470	0
FUND BALANCES - Ending	<u>\$ 1,816,897</u>	<u>\$ 1,843,990</u>	<u>\$ 2,279,877</u>	<u>\$ 435,887</u>



JONESVILLE COMMUNITY SCHOOLS  
Schedule of the District's Proportionate Share of the Net Pension Liability  
Michigan Public School Employees Retirement Plan  
Last 10 Fiscal Years (Amounts were determined as of 9/30 of each fiscal year)

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
A. District's proportion of net pension liability (%)						0.08573909%	0.08504295%	0.08285550%	0.08029028%	0.0756%
B. District's proportionate share of net pension liability						\$25,774,718	\$22,038,244	\$20,671,769	\$19,610,922	\$16,645,340
C. District's covered-employee payroll						\$ 7,340,034	\$ 7,166,443	\$ 7,084,376	\$ 6,594,520	\$ 6,594,520
D. District's proportionate share of net pension liability as a percentage of its covered-employee payroll						351.52%	307.52%	291.79%	297.38%	252.41%
E. Plan fiduciary net position as a percentage of total pension liability						62.36%	64.21%	63.27%	63.17%	66.20%

JONESVILLE COMMUNITY SCHOOLS  
Schedule of the District's Pension Contributions  
Michigan Public School Employees Retirement Plan  
Last 10 Fiscal Years (Amounts were determined as of 6/30 of each year)

	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
A. Statutorily required contributions						\$1,776,331	\$1,799,981	\$ 1,747,130	\$ 1,775,240	\$ 1,668,094
B. Contributions in relation to statutorily required contributions						<u>1,776,331</u>	<u>1,799,981</u>	<u>1,747,130</u>	<u>1,775,240</u>	<u>1,668,094</u>
C. Contribution deficiency (excess)						<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
D. District's covered-employee payroll						\$7,301,632	\$7,356,287	\$ 7,131,045	\$ 7,208,025	\$ 6,858,635
E. Contributions as a percentage of covered-employee payroll						24.33%	24.47%	24.50%	24.63%	24.32%

JONESVILLE COMMUNITY SCHOOLS  
Schedule of the District's Proportionate Share of the Net OPEB Liability  
Michigan Public School Employees Retirement Plan  
Last 10 Fiscal Years (Amounts were determined as of 9/30 of each fiscal year)

	<u>2026</u>	<u>2025</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
A. District's proportion of net OPEB liability (%)									0.0861584%	0.0848928%
B. District's proportionate share of net OPEB liability									\$ 6,848,687	\$ 7,517,658
C. District's covered payroll (OPEB)									\$ 7,340,034	\$ 7,166,443
D. District's proportionate share of net OPEB liability as a percentage of its covered payroll (%)									93.30%	104.90%
E. Plan fiduciary net position as a percentage of total OPEB liability									42.95%	36.39%

JONESVILLE COMMUNITY SCHOOLS  
Schedule of the District's OPEB Contributions  
Michigan Public School Employees Retirement Plan  
Last 10 Fiscal Years (Amounts were determined as of 6/30 of each year)

	<u>2027</u>	<u>2026</u>	<u>2025</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
A. Statutorily required OPEB contributions									\$ 738,696	\$ 706,433
B. OPEB Contributions in relation to statutorily required contributions									<u>738,696</u>	<u>706,433</u>
C. Contribution deficiency (excess)									<u>\$ 0</u>	<u>\$ 0</u>
D. District's covered-employee payroll (OPEB)									\$ 7,301,632	\$ 7,356,287
E. OPEB Contributions as a percentage of covered payroll									10.10%	9.60%

JONESVILLE COMMUNITY SCHOOLS  
Notes to Required Supplementary Information  
for the Year Ended June 30, 2019

Pension Information

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

**Changes of assumptions** – the assumption changes were:

Wage inflation rate decreased to 2.75% from 3.50%.

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

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

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

OPEB Information

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

**Changes of assumptions** – the assumption changes were:

Wage inflation rate decreased to 2.75% from 3.50%.

Discount rate decreased to 7.15% from 7.50%.

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

Healthcare cost trend rate decreased to 7.50% Year 1 graded to 3.00% Year 12 from 7.5% Year 1 graded to 3.50% Year 12.

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

JONESVILLE COMMUNITY SCHOOLS  
COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
JUNE 30, 2019

	Special Revenue Fund	Debt Retirement Funds		Total Nonmajor Governmental Funds
	Food Service Fund	2015 Debt Service	2017 Debt Service	
ASSETS				
Cash	\$ 48,802	\$ 0	\$ 3	\$ 48,805
Accounts Receivable	11,189	0	0	11,189
Due from Other Funds	151,004	190,443	236,714	578,161
Inventory	8,411	0	0	8,411
Total Assets	<u>\$ 219,406</u>	<u>\$ 190,443</u>	<u>\$ 236,717</u>	<u>\$ 646,566</u>
LIABILITIES				
Accounts Payable	\$ 0	\$ 0	\$ 0	\$ 0
Salaries & Benefits Payable	32,383	0	0	32,383
Due to Other Funds	0	0	0	0
Unearned Revenue	11,714	0	0	11,714
Total Liabilities	<u>\$ 44,097</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 44,097</u>
FUND BALANCE				
Nonspendable	\$ 8,411	\$ 0	\$ 0	\$ 8,411
Restricted	166,898	190,443	236,717	594,058
Committed	0	0	0	0
Assigned	0	0	0	0
Unassigned	0	0	0	0
Total Fund Balances	<u>\$ 175,309</u>	<u>\$ 190,443</u>	<u>\$ 236,717</u>	<u>\$ 602,469</u>
Total Liabilities and Fund Balances	<u>\$ 219,406</u>	<u>\$ 190,443</u>	<u>\$ 236,717</u>	<u>\$ 646,566</u>

JONESVILLE COMMUNITY SCHOOLS  
COMBINING STATEMENT OF REVENUE, EXPENDITURES  
AND CHANGE IN FUND BALANCES  
NONMAJOR GOVERNMENTAL FUNDS  
JUNE 30, 2019

	Special Revenue Fund	Debt Retirement Funds		Total Nonmajor Governmental Funds
	Food Service Fund	2015 Debt Service	2017 Debt Service	
REVENUE				
Property Taxes	\$ 0	\$ 610,766	\$ 759,335	\$ 1,370,101
Food Service Sales	158,554	0	0	158,554
State School Aid	22,627	0	0	22,627
Federal National School Lunch Program	553,935	0	0	553,935
Interest Income	5	0	1	6
Miscellaneous Income	30,223	41,011	50,082	121,316
Total Revenue	\$ 765,344	\$ 651,777	\$ 809,418	\$ 2,226,539
EXPENDITURES				
Professional Salaries	\$ 57,835	\$ 0	\$ 0	\$ 57,835
Other Salaries	163,480	0	0	163,480
Employee Benefits	138,812	0	0	138,812
Purchased Services	29,283	0	0	29,283
Supplies & Materials	385,464	0	0	385,464
Other	5,063	1,163	1,825	8,051
Capital Outlay	0	0	0	0
Redemption of Principal	0	895,000	1,260,000	2,155,000
Interest on Debt	0	291,913	253,130	545,043
Total Expenditures	\$ 779,937	\$ 1,188,076	\$ 1,514,955	\$ 3,482,968
Excess of Revenue Over (Under) Expenditures	\$ (14,593)	\$ (536,299)	\$ (705,537)	\$ (1,256,429)
OTHER FINANCING SOURCES (USES)				
Transfers In	\$ 1,331	\$ 0	\$ 0	\$ 1,331
Other Sources	40,461	644,317	910,379	1,595,157
Transfers Out	(48,665)	0	0	(48,665)
Other Uses	0	0	0	0
Total Other Financing Sources (Uses)	\$ (6,873)	\$ 644,317	\$ 910,379	\$ 1,547,823
Net Change in Fund Balances	\$ (21,466)	\$ 108,018	\$ 204,842	\$ 291,394
FUND BALANCES - Beginning	196,775	82,425	31,875	311,075
FUND BALANCES - Ending	\$ 175,309	\$ 190,443	\$ 236,717	\$ 602,469

**JONESVILLE COMMUNITY SCHOOLS**  
**SCHEDULE OF GENERAL FUND EXPENDITURES**  
**BUDGET AND ACTUAL**  
**FOR THE YEAR ENDED JUNE 30, 2019**

	<u>Final Budget</u>	<u>Actual</u>	<u>Actual Over (Under) Final Budget</u>
Instruction - Basic Programs			
Great Start Readiness Program			
Salaries	\$ 127,844	\$ 130,661	\$ 2,817
Employee Benefits	79,561	78,685	(876)
Purchased Services	1,960	673	(1,287)
Supplies & Materials	7,600	6,675	(925)
Other	7,068	7,068	0
Elementary			
Salaries	2,107,762	2,117,498	9,736
Employee Benefits	1,589,806	1,573,081	(16,725)
Purchased Services	71,600	60,942	(10,658)
Supplies & Materials	43,150	40,933	(2,217)
Other	4,168	2,084	(2,084)
Middle School			
Salaries	992,539	968,931	(23,608)
Employee Benefits	727,345	696,042	(31,303)
Purchased Services	22,181	21,543	(638)
Supplies & Materials	13,417	11,811	(1,606)
Other	2,170	2,170	0
High School (Traditional and Alternative)			
Salaries	1,308,774	1,310,661	1,887
Employee Benefits	928,626	919,025	(9,601)
Purchased Services	78,242	78,367	125
Supplies & Materials	29,291	28,521	(770)
Other	214,321	214,028	(293)
Summer School			
Salaries	32,500	1,300	(31,200)
Employee Benefits	15,297	571	(14,726)
Supplies & Materials	4,100	4,185	85
Instruction - Added Needs			
Special Education			
Salaries	407,967	382,063	(25,904)
Employee Benefits	284,933	279,778	(5,155)
Purchased Services	6,529	6,529	0
Supplies & Materials	1,900	1,503	(397)



JONESVILLE COMMUNITY SCHOOLS  
SCHEDULE OF GENERAL FUND EXPENDITURES  
BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2019 (continued)

	Final Budget	Actual	Actual Over (Under) Final Budget
Compensatory Education			
Salaries	\$ 103,682	\$ 106,961	\$ 3,279
Employee Benefits	83,404	75,012	(8,392)
Purchased Services	3,513	3,140	(373)
Supplies	6,200	11,917	5,717
Career and Technical Education			
Salaries	180,000	157,529	(22,471)
Employee Benefits	112,940	96,618	(16,322)
Purchased Services	1,500	720	(780)
Supplies & Materials	2,500	6,174	3,674
Other	3,350	844	(2,506)
Support Services			
Pupil Services			
Salaries	399,967	339,475	(60,492)
Employee Benefits	294,102	242,958	(51,144)
Purchased Services	29,511	23,689	(5,822)
Supplies & Materials	10,922	5,931	(4,991)
Other	679	0	(679)
Instructional Staff			
Salaries	61,945	60,083	(1,862)
Employee Benefits	50,187	43,833	(6,354)
Purchased Services	22,450	21,657	(793)
Supplies & Materials	11,205	10,509	(696)
Other	6,540	6,540	0
General Administration			
Salaries	158,174	158,544	370
Employee Benefits	168,990	165,353	(3,637)
Purchased Services	2,200	1,952	(248)
Supplies & Materials	3,160	2,022	(1,138)
Other	11,305	12,024	719
School Administration			
Salaries	513,119	489,791	(23,328)
Employee Benefits	384,271	350,381	(33,890)
Purchased Services	9,448	9,289	(159)
Supplies & Materials	2,700	2,041	(659)
Other	2,129	1,939	(190)

JONESVILLE COMMUNITY SCHOOLS  
SCHEDULE OF GENERAL FUND EXPENDITURES  
BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2019 (continued)

	Final Budget	Actual	Actual Over (Under) Final Budget
Support Services (continued)			
Business Services			
Salaries	\$ 95,077	\$ 95,970	\$ 893
Employee Benefits	68,075	67,916	(159)
Purchased Services	20,225	16,682	(3,543)
Supplies & Materials	900	2,644	1,744
Other	18,773	31,966	13,193
Operation & Maintenance			
Salaries	395,220	387,481	(7,739)
Employee Benefits	290,710	288,570	(2,140)
Purchased Services	220,548	206,569	(13,979)
Supplies & Materials	357,375	334,385	(22,990)
Other	182,436	182,043	(393)
Pupil Transportation			
Salaries	298,404	273,787	(24,617)
Employee Benefits	220,574	184,047	(36,527)
Purchased Services	259,658	256,881	(2,777)
Supplies & Materials	53,600	49,116	(4,484)
Other	8,564	8,135	(429)
Central Services			
Salaries	23,074	24,468	1,394
Employee Benefits	16,000	14,743	(1,257)
Purchased Services	163,697	159,443	(4,254)
Other	5,000	3,717	(1,283)
Community Activities			
Supplies & Materials	3,500	816	(2,684)
Athletic Activities			
Salaries	102,364	99,864	(2,500)
Employee Benefits	68,312	67,831	(481)
Purchased Services	179,561	178,130	(1,431)
Supplies & Materials	63,006	63,417	411
Other	21,426	22,193	767
Capital Outlay	22,386	52,264	29,878
Total Expenditures	<u>\$ 14,909,209</u>	<u>\$ 14,425,332</u>	<u>\$ (483,877)</u>

JONESVILLE COMMUNITY SCHOOLS  
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND BALANCES  
TRUST AND AGENCY FUND  
FOR THE YEAR ENDED JUNE 30, 2019

	Balance July 1, 2018	Receipts	Disbursements	Balance June 30, 2019
Elementary	\$ 47,016	\$ 38,074	\$ (64,264)	\$ 20,826
Texas Hold'Em	1,660	0	(200)	1,460
 Middle School	 22,698	 35,797	 (39,718)	 18,777
Texas Hold'Em	1,352	0	(964)	388
 High School	 96,610	 229,866	 (175,921)	 150,555
FFA	668	36,100	(32,614)	4,154
Texas Hold'Em – JCS	7,118	0	(5,339)	1,779
Texas Hold'Em – HS	7,228	0	0	7,228
 Alternative Education	 3,875	 615	 (921)	 3,569
Totals	<u>\$ 188,225</u>	<u>\$ 340,452</u>	<u>\$ (319,941)</u>	<u>\$ 208,736</u>

JONESVILLE COMMUNITY SCHOOLS  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2019

Federal Grantor Pass-Through Grantor Program Title - Grant Number	Federal CFDA Number	Pass-through Grantor's Number	Award Amount	(Deferred) Revenue 7/1/2018	Accrued or (Memo Only) Prior Year Expenditures	Current Year Receipts	Current Year Expenditures	Accrued (Deferred) Revenue 6/30/2019
U.S. Department of Agriculture:								
Passed through Michigan Department of Education:								
Child Nutrition Cluster:								
Non-cash assistance (commodities):								
National School Lunch Program	10.555		\$ 39,857	\$ 0	\$ 0	\$ 39,857	\$ 39,857	\$ 0
Cash assistance:								
School Breakfast Program	10.553	181970/18	\$ 23,102	\$ 0	\$ 0	\$ 23,102	\$ 23,102	\$ 0
		191970/19	146,301	0	0	146,301	146,301	0
			<u>\$ 169,403</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 169,403</u>	<u>\$ 169,403</u>	<u>\$ 0</u>
National School Lunch Program	10.555	181960/18	\$ 48,471	\$ 0	\$ 0	\$ 48,471	\$ 48,471	\$ 0
		191960/19	296,204	0	0	296,204	296,204	0
			<u>\$ 344,675</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 344,675</u>	<u>\$ 344,675</u>	<u>\$ 0</u>
Total U.S. Department of Agriculture			<u>\$ 553,935</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 553,935</u>	<u>\$ 553,935</u>	<u>\$ 0</u>

JONESVILLE COMMUNITY SCHOOLS  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2019  
(continued)

Federal Grantor Pass-Through Grantor Program Title - Grant Number	Federal CFDA Number	Pass-through Grantor's Number	Award Amount	(Deferred) Revenue 7/1/2018	Accrued or (Memo Only) Prior Year Expenditures	Current Year Receipts	Current Year Expenditures	Accrued (Deferred) Revenue 6/30/2019
U.S. Department of Education:								
Passed through Michigan Department of Education:								
Title I Part A	84.010	181530/1718 191530/1819	\$ 199,233	\$ 182,061	\$ 182,061	\$ 198,660	\$ 16,599	\$ 0
			170,364	0	0	107,614	170,364	62,750
			<u>\$ 369,597</u>	<u>\$ 182,061</u>	<u>\$ 182,061</u>	<u>\$ 306,274</u>	<u>\$ 186,963</u>	<u>\$ 62,750</u>
Title II Part A – Teacher/Principal Training & Recruiting	84.367	180520/1718 190520/1819	\$ 48,767	\$ 45,295	\$ 45,295	\$ 47,677	\$ 2,382	\$ 0
			43,219	0	0	30,793	39,321	8,528
			<u>\$ 91,986</u>	<u>\$ 45,295</u>	<u>\$ 45,295</u>	<u>\$ 78,470</u>	<u>\$ 41,703</u>	<u>\$ 8,528</u>
Title IV Part A - Student Support & Academic Enrichment	84.367	180750/1718 190750/1819	\$ 10,000	\$ 7,694	\$ 7,694	\$ 8,710	\$ 1,016	\$ 0
			14,114	0	0	7,205	7,569	364
			<u>\$ 24,114</u>	<u>\$ 7,694</u>	<u>\$ 7,694</u>	<u>\$ 15,915</u>	<u>\$ 8,585</u>	<u>\$ 364</u>
Passed Through Hillsdale County Intermediate School District:								
Medical Assistance Program	93.778		\$ 796	\$ 0	\$ 0	\$ 796	\$ 796	\$ 0
Total U.S. Department of Education			<u>\$ 486,493</u>	<u>\$ 235,050</u>	<u>\$ 235,050</u>	<u>\$ 401,455</u>	<u>\$ 238,047</u>	<u>\$ 71,642</u>
Total Federal Financial Assistance			<u>\$ 1,040,428</u>	<u>\$ 235,050</u>	<u>\$ 235,050</u>	<u>\$ 955,390</u>	<u>\$ 791,982</u>	<u>\$ 71,642</u>

NOTES:

1. This schedule includes the federal grant activity of Jonesville Community Schools and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and reconciles with the amounts presented in the financial statements.
2. Management has utilized the Grants Section Auditors Report (Form R7120) and CMS Grant Auditor Report (GAR) in preparing this schedule.
3. The amounts reported on the Recipient Entitlement Balance Report agree with this schedule for USDA donated food commodities.
4. The Child Nutrition Cluster (CFDA #10.553 and 10.555) was audited as a major program, representing 69.9% of total expenditure.
5. Jonesville Community Schools has elected not to use the 10% de minimis indirect cost rate as allowed under the Uniform Guidance.

**JONESVILLE COMMUNITY SCHOOLS**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**JUNE 30, 2019**

**SECTION I – SUMMARY OF AUDITOR’S RESULTS**

Financial Statements

Type of auditor’s report issued:	Unmodified		
Internal control over financial reporting:			
Material weakness(es) identified?	_____ Yes	<u>      X      </u> No	
Significant deficiency(ies) identified?	_____ Yes	<u>      X      </u> No	
Noncompliance material to financial statements noted?	_____ Yes	<u>      X      </u> No	

Federal Awards

Internal control over major programs:			
Material weakness(es) identified?	_____ Yes	<u>      X      </u> No	
Significant deficiency(ies) identified?	_____ Yes	<u>      X      </u> No	

Type of auditor’s report issues on compliance for major programs:	Unmodified		
Any audit findings disclosed that are required to be reported in accordance with 2CFR Section 200.516(a)?	_____ Yes	<u>      X      </u> No	

Major Programs

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
10.553 and 10.555	Child Nutrition Cluster
Dollar threshold to distinguish between Type A and Type B programs:	\$750,000
Auditee qualifies as low-risk auditee?	<u>      X      </u> Yes <u>                    </u> No

**SECTION II – FINANCIAL STATEMENT FINDINGS**

2019-001 – Expenditures in excess of budget

Criteria: State law indicates that a deviation from the original appropriations act [budget] shall not be made without amending the general appropriations act.

Condition: During the year the District incurred expenditures which were in excess of the amounts appropriated.

Cause: The final budget amendments did not provide for all deviations from the original budget.

Effect: The district is not in compliance with State law.

Recommendation: The District should continue to closely monitor the budget and make adjustments when necessary.

View of Responsible Officials: We agree with the recommendation and will take the proper steps to monitor the budget in the future.

**SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

No matters were reported.

JONESVILLE COMMUNITY SCHOOLS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
JUNE 30, 2019

SECTION IV – SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS

2018-001 – Expenditures in excess of budget

The District incurred expenditures which were in excess of budgeted amounts (the same finding as above) for the year ended June 30, 2018. The District is working towards improving its processes to monitor the budget and make adjustments when necessary.

479 E. CHICAGO STREET  
P.O. BOX 215  
JONESVILLE, MI 49250

PHONE: 517-849-2410  
FAX: 517-849-2493  
[www.baileyhodshire.com](http://www.baileyhodshire.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  
Jonesville Community Schools  
Jonesville, 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 Jonesville Community Schools as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise Jonesville Community Schools' basic financial statements, and have issued our report thereon dated October 8, 2019.

Internal Control Over Financial Reporting

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

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

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



Compliance and Other Matters

As part of obtaining reasonable assurance about whether Jonesville Community Schools' financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings and Questioned Costs (Finding 2019-001).

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.

*Bailey, Hodshire & Company, P.C.*

Jonesville, Michigan  
October 8, 2019



479 E. CHICAGO STREET  
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PHONE: 517-849-2410  
FAX: 517-849-2493  
[www.baileyhodshire.com](http://www.baileyhodshire.com)

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

To the Board of Education  
Jonesville Community Schools  
Jonesville, Michigan

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

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

**Management's Responsibility**

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

**Auditor's Responsibility**

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

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

**Opinion on Each Major Federal Program**

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

### **Report On Internal Control Over Compliance**

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

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

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

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

*Bailey, Hodshire & Company, P.C.*

Jonesville, Michigan  
October 8, 2019