

REED CITY AREA PUBLIC SCHOOLS

REED CITY, MICHIGAN

ANNUAL FINANCIAL REPORT

JUNE 30, 2017



Baird, Cotter & Bishop, P.C.
SERVING YOUR PAST, PRESENT & FUTURE

CERTIFIED PUBLIC ACCOUNTANTS
134 WEST HARRIS STREET CADILLAC, MICHIGAN 49601 PHONE: (231) 775-9789 FAX: (231) 775-9749
www.bcbcpa.com

REED CITY AREA PUBLIC SCHOOLS
REED CITY, MICHIGAN

ANNUAL FINANCIAL REPORT
YEAR ENDED JUNE 30, 2017

TABLE OF CONTENTS

	<u>PAGES</u>
Independent Auditor's Report	i-iii
Management's Discussion and Analysis	iv-x
Basic Financial Statements	
Government-Wide Financial Statements	
Statement of Net Position	1-2
Statement of Activities	3
Fund Financial Statements	
Balance Sheet - Governmental Funds	4
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position	5
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	6
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	7-8
Fiduciary Funds	
Statement of Fiduciary Net Position	9
Statement of Changes in Fiduciary Net Position	10
Notes to Financial Statements	11-37
Required Supplementary Information	
Budgetary Comparison Schedule – General Fund	38
Schedule of Proportionate Share of the Net Pension Liability – Michigan Public School Employees' Retirement System	39
Schedule of Contributions – Michigan Public School Employees' Retirement System	40
Notes to Required Supplementary Information	41
Combining and Individual Fund Financial Statements	
Nonmajor Governmental Fund Types	
Combining Balance Sheet	42
Combining Statement of Revenues, Expenditures and Changes in Fund Balance	43
Fiduciary Fund Types	
Statement of Fiduciary Net Position	44
Private Purpose Trust Funds	
Statement of Fiduciary Net Position	45
Combining Statement of Revenues, Expenditures and Changes in Fiduciary Net Position	46

REED CITY AREA PUBLIC SCHOOLS
REED CITY, MICHIGAN

ANNUAL FINANCIAL REPORT
YEAR ENDED JUNE 30, 2017

TABLE OF CONTENTS

	<u>PAGES</u>
Agency Funds	
Statement of Fiduciary Net Position	47
Statement of Cash Receipts, Disbursements and Balance	
Norman Elementary School Account	48
Middle School Account	49
High School Account	50-51
Athletic Fundraising Account	52
Beverage Consortia Account	53
Other Supplementary Information	
Schedule of Bonds Payable	
2012 Refunding Bonds	54
2015 Refunding Bonds	55
2016 School Building and Site Bonds	56



Baird, Cotter & Bishop, P.C.

SERVING YOUR PAST, PRESENT & FUTURE

CERTIFIED PUBLIC ACCOUNTANTS

134 WEST HARRIS STREET CADILLAC, MICHIGAN 49601 PHONE: (231) 775-9789 FAX: (231) 775-9749

www.bcbcpa.com

August 10, 2017

INDEPENDENT AUDITOR'S REPORT

To the Board of Education
Reed City Area Public Schools
Reed City, 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 Reed City Area Public Schools, Reed City, Michigan as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the *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 Reed City Area Public Schools, Reed City, Michigan as of June 30, 2017, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and required supplementary information, as identified in the table of contents, on pages iv through x and 38-41 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 Reed City Area Public Schools' basic financial statements. The combining and individual fund financial statements and other supplementary information are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

The other supplementary information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated August 10, 2017, on our consideration of Reed City Area Public Schools' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion the effectiveness of Reed City Area Public Schools' on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Reed City Area Public Schools internal control over financial reporting and compliance.

BAIRD, COTTER AND BISHOP, P.C.

Baird, Cotter & Bishop, P.C.

REED CITY AREA PUBLIC SCHOOLS

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE YEAR ENDED JUNE 30, 2017

The discussion and analysis of the Reed City Area Public School District's (the "District") financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2017. The intent of this discussion and analysis is to provide, in layman's terms, a look at the District's performance and past and current position. Readers should also review the financial statements and the notes to the financial statements to enhance their understanding of the District's financial performance.

Overview of the Financial Statements

This annual report consists of three parts: management's discussion and analysis (this section), the basic financial statements and required supplemental information. The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the financial statements.

The basic financial statements include two kinds of statements that present different views of the District.

District-Wide Financial Statements

These statements are full accrual basis statements and provide information about the District's *overall* financial status. They are used to help determine whether or not the District is better off or worse off as the result of the year's activities. The Statement of Net Position reports all of the District's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, both short-term and long-term, regardless of whether they are "currently available" or not. Capital assets and long-term obligations of the District are reported in this statement. All of the current year's revenues and expenses are accounted for in the Statement of Activities regardless of when cash is received or paid.

The two district-wide statements report the District's net position and how they have changed. Net position, the difference between the District's assets 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 District's overall health, one should consider additional non-financial factors such as changes in the District's property tax base, the quality of the education provided and the condition of the District's buildings.

In the district-wide statements, the District's activities are classified as governmental activities. This includes most of the District's basic services, such as regular and special education, food service, athletics, transportation and administration. Property taxes and state aid finance most of these services.

Fund Financial Statements

Governmental Funds - The fund financial statements focus on individual parts of the District, reporting the District's operations in more detail than the district-wide statements. The fund level statements are

REED CITY AREA PUBLIC SCHOOLS

MANAGEMENT’S DISCUSSION AND ANALYSIS

FOR THE YEAR ENDED JUNE 30, 2017

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

The fund statements are formatted to comply with the legal requirements of the Michigan Department of Education’s “Accounting Manual.” In the State of Michigan, a district’s major instructional and instructional support activities are reported in the General Fund. Additional activities are reported in their relevant funds including: Special Revenue Funds for Food Service and Community Services, Debt Service Funds, Capital Project Fund, and Fiduciary Funds.

In the fund financial statements, capital asset purchases are reported as expenditures in the year of acquisition and 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 year’s debt obligations are not recorded in the fund financial statements.

Fiduciary Funds – The District is a trustee, or fiduciary, for assets that belong to other organizations. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. The District’s fiduciary activities are reported in a separate Statement of Fiduciary Net Position. We exclude these activities from the government-wide financial statements because the District cannot use these assets to finance its operations.

Financial Analysis of the District as a Whole

The following schedule summarizes the net position at fiscal year ended June 30.

<u>June 30,</u>	<u>Governmental Activities</u>	
	<u>2017</u>	<u>2016</u>
Assets		
Current Assets	\$ 9,434,885	\$ 5,386,958
Non Current Assets		
Capital Assets	20,132,054	18,771,281
Less: Accumulated Depreciation	(8,000,923)	(7,758,107)
Total Non Current Assets	12,131,131	11,013,174
Total Assets	21,566,016	16,400,132
Deferred Outflows of Resources		
Deferred Charges on Refunding	112,454	148,735
Deferred Outflows of Resources Related to Pension	2,988,266	1,898,958
Total Deferred Outflows of Resources	3,100,720	2,047,693

REED CITY AREA PUBLIC SCHOOLS

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE YEAR ENDED JUNE 30, 2017

<u>June 30,</u> Liabilities	Governmental Activities	
	2017	2016
Current Liabilities	4,212,455	3,558,210
Non Current Liabilities	31,816,184	27,814,865
Total Liabilities	36,028,639	31,373,075
Deferred Inflows of Resources		
Deferred Inflows Related to Pension	912,322	904,120
Net Position		
Net Investment in Capital Assets	873,040	302,266
Restricted	538,501	392,229
Unrestricted	(13,685,766)	(14,523,865)
Total Net Position (Deficit)	\$(12,274,225)	\$(13,829,370)

Restricted assets represent resources that are subject to external restrictions on how they may be used.

During the fiscal year ended June 30, 2017, the District's net position increased by \$1,555,145. A few of the more significant factors affecting net position during the year are discussed below:

1. Depreciation Expense

The District is required to maintain a record of annual depreciation expense and the accumulation of depreciation expense over time. The net increase in accumulated depreciation expense is a reduction in net position.

Depreciation expense is recorded on a straight-line basis over the estimated useful lives of the assets. In accordance with GAAP, depreciation expense is calculated based on the original cost of the asset less an estimated salvage value, where applicable. For the fiscal year ended June 30, 2017, \$426,735 was recorded for depreciation expense.

2. Pension Expense

GASB 68 now requires the District to account for its payments to the Michigan Public School Employees' Retirement System in a manner that has a significant effect on the District's change in net position. Based on various factors, the District may report an increase or decrease in net position depending on whether the District's proportionate share of the net pension liability increases or decreases in any given year. For the year ended June 30, 2017, the District reported a decrease in net position related to GASB 68, which indicates that the District's proportionate share of the net pension liability has increased.

REED CITY AREA PUBLIC SCHOOLS

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE YEAR ENDED JUNE 30, 2017

3. Capital Outlay Acquisitions and Disposals

For the fiscal year ended June 30, 2017, \$1,572,471 in capital assets were acquired and \$211,698 capital assets were disposed of.

The net effect of the capital asset changes and the current year's depreciation is an increase of net capital assets in the amount of \$1,117,957 for the fiscal year ended June 30, 2017.

The following schedule summarizes the results of operations, on a district-wide basis, for the fiscal year ended June 30.

<u>June 30,</u>	<u>Governmental Activities</u>	
	<u>2017</u>	<u>2016</u>
Revenues		
Program Revenues:		
Charges for Services	\$ 412,774	\$ 345,894
Operating Grants	3,495,685	2,992,224
Capital Grants	0	40,000
General Revenues:		
Property Taxes	3,530,922	3,650,828
Investment Earnings	20,498	6,593
State Sources	9,318,916	8,937,805
Other	72,302	51,481
Total Revenues	<u>16,851,097</u>	<u>16,024,825</u>
Expenses		
Instruction	8,372,708	8,279,187
Supporting Services	5,095,391	4,451,950
Community Services	49,692	56,797
Food Service Activities	836,944	819,628
Capital Projects	12,209	76,818
Interest on Long-Term Debt	425,458	779,157
Bond Issuance Costs	42,110	0
Other Transactions	34,705	23,836
Unallocated Depreciation	426,735	421,114
Total Expenses	<u>15,295,952</u>	<u>14,908,487</u>
Increase (Decrease) in Net Position	<u>\$ 1,555,145</u>	<u>\$ 1,116,338</u>

The cost of the District's governmental activities for the year was \$15,295,952. State aid and operating grants and contributions provided approximately \$12,814,601 to fund the District's

REED CITY AREA PUBLIC SCHOOLS

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE YEAR ENDED JUNE 30, 2017

governmental activities. District taxpayers directly financed activities of the District with approximately \$3,530,922 in property taxes. Charges for services provided funds of approximately \$412,774.

The financial performance of the District as a whole is also reflected in its governmental funds. The following table shows the change in total fund balances of each of the District's governmental funds:

	2017	2016	Increase (Decrease)
Major Funds			
General Fund	\$ 2,346,812	\$ 2,027,703	\$ 319,109
2016 School Building and Site Fund	2,506,117	0	2,506,117
Nonmajor Funds			
Food Service	289,442	203,600	85,842
Community Services	6,045	8,042	(1,997)
Capital Projects	646,693	201,951	444,742
2001 Debt Retirement	0	64,714	(64,714)
2016 Debt Retirement	8,172	0	8,172
2012 Debt Retirement	210,378	95,246	115,132
2015 Debt Retirement	199,085	177,143	21,942
Total Governmental Funds	<u>\$ 6,212,744</u>	<u>\$ 2,778,399</u>	<u>\$ 3,434,345</u>

The General Fund increase was mainly a result of revenue related to increased student count and increased per pupil allowance.

The 2016 School Building and Site Fund balance increased due to the issuance of bonds that have not been entirely spent yet.

The Capital Projects fund balance increased because of a transfer from the General Fund.

The Food Service Fund balance increased due to the efficiency of the operation.

The Debt Fund balances, of which the entire amount is restricted, changed primarily due to debt principal and interest payments being different than the property tax revenues.

General Fund Budgetary Highlights

The Uniform Budget Act of the State of Michigan requires that the local Board of Education approve the original budget for the upcoming fiscal year prior to July 1, the start of the fiscal year.

REED CITY AREA PUBLIC SCHOOLS

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE YEAR ENDED JUNE 30, 2017

During 2016-2017, the District amended the General Fund budget two times, with the Board adopting the final changes in June 2017. The following schedule shows a comparison of the original budget, the final amended budget and the actual totals for the General Fund:

<u>Year Ended June 30, 2017</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>
Total Revenues	\$ 14,086,829	\$ 15,114,355	\$ 14,747,974
Expenditures:			
Instruction	\$ 9,023,428	\$ 8,834,769	\$ 8,704,074
Supporting Services	4,763,103	5,046,635	4,980,245
Community Services	24,857	32,892	31,497
Other Transactions	38,800	51,000	34,705
Total Expenditures	<u>\$ 13,850,188</u>	<u>\$ 13,965,296</u>	<u>\$ 13,750,521</u>

Final budgeted revenues were higher than originally budgeted due to increases in student count and higher per pupil foundation allowance. Final budgeted expenditures did not differ significantly from the original budget.

Actual revenues were lower than budgeted due to changes to grant income. Actual expenditures were lower than budgeted due primarily to changes in grant expenses.

Capital Assets and Debt Administration

1. Capital Assets

The Capital Projects Fund is used to account for the costs incurred in acquiring and improving sites, constructing and remodeling facilities, and procuring major equipment necessary for providing educational programs for all students within the District. There were \$1,572,471 in capital asset additions and \$211,698 in disposals during the current year.

The District's capital assets at year end are summarized as follows, net of accumulated depreciation:

<u>June 30,</u>	<u>2017</u>	<u>2016</u>
Land	\$ 274,694	\$ 284,694
Construction in Progress	1,373,108	0
Buildings	9,661,974	9,870,072
Land Improvements	16,143	22,181
Machinery and Equipment	194,398	204,673
Transportation Equipment	610,814	631,554
	<u>\$ 12,131,131</u>	<u>\$ 11,013,174</u>

REED CITY AREA PUBLIC SCHOOLS
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2017

Major capital assets additions for the 2016-2017 school year include:

- Roof and building improvements totaling \$66,614.
- Two buses in the amount of \$114,500.
- John Deere Gator costing \$7,500.
- Heat exchanger in the amount of \$10,749.
- Construction in progress totaling \$1,373,108.

In addition to purchasing the above assets, the School has committed to spend approximately \$2,100,000 for building improvements, upgrades to building safety and security, energy efficiency and educational technology which will be funded primarily by the District's capital projects fund.

2. Long-Term Debt

At June 30, 2017, the District had \$32,121,992 in debt outstanding. This represents an increase of \$4,048,922 from the amount outstanding at the close of the prior fiscal year.

Factors Bearing on the District's Future

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

- The estimated revenue for At-Risk is expected to increase for the 2017-2018 fiscal year.
- The passing of the bond will allow the District to make the necessary building improvements, update all entrances for safety and security, and also upgrade energy efficiency and educational technology. As with any construction project, there are some unforeseen added costs and those expenses may need to come from the general fund.
- Uncertain student enrollment. The District has budgeted for a decline of 10 FTE students for 2017-2018 fiscal year. Student enrollment has a significant impact on revenues of the District.

Requests for Information

This financial report is designed to provide our citizens, taxpayers, parents, students and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. Questions concerning any of the information provided in this report, or requests for additional financial information, should be addressed to the Business Office, Reed City Area Public Schools, 225 W. Church Ave., Suite A, Reed City, Michigan 49677.

REED CITY AREA PUBLIC SCHOOLS
REED CITY, MICHIGAN

STATEMENT OF NET POSITION

JUNE 30, 2017

ASSETS

CURRENT ASSETS

Cash	\$ 1,843,191
Restricted Cash	1,627,408
Investments	2,081,186
Restricted Investments	1,501,499
Accounts Receivable	20,868
Taxes Receivable	283
Due from Other Governments	2,230,618
Inventories	24,154
Prepaid Expenses	<u>105,678</u>
 Total Current Assets	 <u>9,434,885</u>

NON CURRENT ASSETS

Capital Assets	20,132,054
Less Accumulated Depreciation	<u>(8,000,923)</u>
 Total Non Current Assets	 <u>12,131,131</u>

TOTAL ASSETS

21,566,016

DEFERRED OUTFLOWS OF RESOURCES

Deferred Charges on Refunding	112,454
Deferred Outflows of Resources Related to Pensions	<u>2,988,266</u>
 TOTAL DEFERRED OUTFLOWS OF RESOURCES	 <u>3,100,720</u>

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

REED CITY AREA PUBLIC SCHOOLS
REED CITY, MICHIGAN

STATEMENT OF NET POSITION

JUNE 30, 2017

LIABILITIES

CURRENT LIABILITIES

Accounts Payable	744,121
Accrued Expenses	456,832
Retainage Payable	88,617
Accrued Interest Payable	74,510
Salaries Payable	787,377
Note Payable	816,025
Due to Other Governments	146,004
Unearned Revenue	183,165
Current Portion of Non Current Liabilities	<u>915,804</u>

Total Current Liabilities 4,212,455

NON CURRENT LIABILITIES

Bonds Payable	13,130,000
Deferred Bond Premium - Net	609,996
Compensated Absences	196,806
Installment Purchase Agreement Payable	136,666
Net Pension Liability	18,658,520
Less Current Portion of Non Current Liabilities	<u>(915,804)</u>

Total Non Current Liabilities 31,816,184

TOTAL LIABILITIES 36,028,639

DEFERRED INFLOWS OF RESOURCES

Deferred Inflows of Resources Related to Pensions	<u>912,322</u>
---	----------------

NET POSITION

Net Investment (Deficit) in Capital Assets	873,040
Restricted for Debt Service	343,125
Restricted for Food Service	195,376
Unrestricted (Deficit)	<u>(13,685,766)</u>

TOTAL NET POSITION - (DEFICIT) \$ (12,274,225)

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

REED CITY AREA PUBLIC SCHOOLS
REED CITY, MICHIGAN

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2017

<u>FUNCTIONS/PROGRAMS</u>	<u>EXPENSES</u>	<u>PROGRAM REVENUES</u>			<u>GOVERNMENTAL ACTIVITIES NET (EXPENSE) REVENUE AND CHANGES IN NET POSITION</u>
		<u>CHARGES FOR SERVICES</u>	<u>OPERATING GRANTS</u>	<u>CAPITAL GRANTS</u>	
<u>GOVERNMENTAL ACTIVITIES</u>					
Instruction	\$ 8,372,708	\$ 0	\$ 2,291,994	\$ 0	\$ (6,080,714)
Supporting Services	5,095,391	156,053	473,829	0	(4,465,509)
Community Services	49,692	25,575	31,354	0	7,237
Food Service Activities	836,944	231,146	698,508	0	92,710
Capital Projects	12,209	0	0	0	(12,209)
Interest on Long-Term Debt	425,458	0	0	0	(425,458)
Bond Issuance Costs	42,110	0	0	0	(42,110)
Other Transactions	34,705	0	0	0	(34,705)
Unallocated Depreciation	426,735	0	0	0	(426,735)
TOTAL GOVERNMENTAL ACTIVITIES	\$ 15,295,952	\$ 412,774	\$ 3,495,685	\$ 0	(11,387,493)
<u>GENERAL REVENUES</u>					
Property Taxes -Levied for General Purposes					2,363,070
Property Taxes -Levied for Debt Service					1,167,852
Investment Earnings					20,498
State Sources					9,318,916
Other					72,302
Total General Revenues					12,942,638
Change in Net Position					1,555,145
<u>NET POSITION</u> - Beginning of Year - (Deficit)					(13,829,370)
<u>NET POSITION</u> - End of Year - (Deficit)					\$ (12,274,225)

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

REED CITY AREA PUBLIC SCHOOLS
REED CITY, MICHIGAN

BALANCE SHEET
GOVERNMENTAL FUNDS

JUNE 30, 2017

	GENERAL FUND	2016 SCHOOL BUILDING AND SITE FUND	NONMAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
<u>ASSETS</u>				
Cash and Cash Equivalents	\$ 480,401	\$ 0	\$ 1,362,790	\$ 1,843,191
Restricted Cash	0	1,627,408	0	1,627,408
Investments	2,081,186	0	0	2,081,186
Restricted Investments	0	1,501,499	0	1,501,499
Accounts Receivable	4,430	0	16,438	20,868
Taxes Receivable	0	0	283	283
Due from Other Funds	7,721	0	144,976	152,697
Due from Other Governments	2,207,441	0	23,177	2,230,618
Inventories	3,105	0	21,049	24,154
Prepaid Expenditures	32,661	0	73,017	105,678
TOTAL ASSETS	\$ 4,816,945	\$ 3,128,907	\$ 1,641,730	\$ 9,587,582
<u>LIABILITIES AND FUND BALANCES</u>				
<u>LIABILITIES</u>				
Accounts Payable	\$ 37,613	\$ 534,173	\$ 172,335	\$ 744,121
Accrued Expenses	456,832	0	0	456,832
Retainage Payable	0	88,617	0	88,617
Salaries Payable	785,587	0	1,790	787,377
Note Payable	816,025	0	0	816,025
Due to Other Funds	80,222	0	72,475	152,697
Due to Other Governments	146,004	0	0	146,004
Unearned Revenue	147,850	0	35,315	183,165
Total Liabilities	2,470,133	622,790	281,915	3,374,838
<u>FUND BALANCES</u>				
Nonspendable:				
Inventory	3,105	0	21,049	24,154
Prepaid Expenditures	32,661	0	73,017	105,678
Restricted for:				
Debt Service	0	0	417,635	417,635
Food Service	0	0	195,376	195,376
Capital Projects	0	2,506,117	0	2,506,117
Assigned to:				
Community Services	0	0	6,045	6,045
Future Capital Projects	0	0	646,693	646,693
Unassigned	2,311,046	0	0	2,311,046
Total Fund Balances	2,346,812	2,506,117	1,359,815	6,212,744
TOTAL LIABILITIES AND FUND BALANCES	\$ 4,816,945	\$ 3,128,907	\$ 1,641,730	\$ 9,587,582

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

REED CITY AREA PUBLIC SCHOOLS
REED CITY, MICHIGAN

RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS TO THE
STATEMENT OF NET POSITION

JUNE 30, 2017

Total Governmental Fund Balances	\$ 6,212,744
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 are not reported in the funds.	
The cost of the capital assets is	\$20,132,054
Accumulated depreciation is	<u>(8,000,923)</u>
	12,131,131
Other long-term assets are not available for pay for current period expenditures and, therefore, are deferred in the funds. These assets consist of:	
Deferred Loss on Refunding	112,454
Long-term liabilities are not due and payable in the current period and are not reported in the funds.	
Bonds Payable	(13,130,000)
Bond Premium	(609,996)
Compensated Absences	(196,806)
Installment Purchase Agreement	(136,666)
Accrued interest is not included as a liability in governmental funds, it is recorded when paid.	(74,510)
Some liabilities, including net pension obligations, are not due and payable in the current period and, therefore, are not reported in the funds.	
Net Pension Liability	(18,658,520)
Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the funds.	
Deferred Outflows of Resources Related to Pensions	2,988,266
Deferred Inflows of Resources Related to Pensions	<u>(912,322)</u>
NET POSITION OF GOVERNMENTAL ACTIVITIES	<u><u>\$ (12,274,225)</u></u>

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

REED CITY AREA PUBLIC SCHOOLS
REED CITY, MICHIGAN

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS

YEAR ENDED JUNE 30, 2017

	GENERAL FUND	2016 SCHOOL BUILDING AND SITE FUND	NONMAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
<u>REVENUES</u>				
Local Sources	\$ 2,626,358	\$ 4,636	\$ 1,427,490	\$ 4,058,484
State Sources	11,000,299	0	100,542	11,100,841
Federal Sources	791,874	0	678,065	1,469,939
Other Transactions	329,443	0	0	329,443
Total Revenues	14,747,974	4,636	2,206,097	16,958,707
<u>EXPENDITURES</u>				
Instruction	8,704,074	0	0	8,704,074
Supporting Services	4,980,245	114,500	0	5,094,745
Community Services	31,497	0	27,573	59,070
Food Service Activities	0	0	836,944	836,944
Capital Projects	0	1,243,537	148,469	1,392,006
Debt Service				
Principal	0	0	814,591	814,591
Interest and Other	0	0	447,745	447,745
Bond Issuance Costs	0	42,110	0	42,110
Other Transactions	34,705	0	0	34,705
Total Expenditures	13,750,521	1,400,147	2,275,322	17,425,990
Excess (Deficiency) of Revenues Over Expenditures	997,453	(1,395,511)	(69,225)	(467,283)
<u>OTHER FINANCING SOURCES (USES)</u>				
Transfers In (Out)	(678,344)	0	678,344	0
Face Value of Debt	0	3,850,000	0	3,850,000
Premium on Debt Issuance	0	51,628	0	51,628
Total Other Financing Sources (Uses)	(678,344)	3,901,628	678,344	3,901,628
Net Change in Fund Balance	319,109	2,506,117	609,119	3,434,345
FUND BALANCE - Beginning of Year	2,027,703	0	750,696	2,778,399
FUND BALANCE - End of Year	\$ 2,346,812	\$ 2,506,117	\$ 1,359,815	\$ 6,212,744

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

REED CITY AREA PUBLIC SCHOOLS
REED CITY, MICHIGAN

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2017

Net Change in Fund Balances Total Governmental Funds \$ 3,434,345

Amounts reported for governmental activities are different because:

Governmental funds report capital outlays as expenditures. In the Statement of Activities these costs are allocated over their estimated useful lives as depreciation. Additionally, the gain or loss on sale or disposal of capital assets is recorded in the Statement of Activities.

Capital Outlay	1,572,471
Depreciation Expense	(426,735)
Net Cost of Capital Assets Sold	(27,779)

Accrued interest on bonds is recorded in the Statement of Activities when incurred; it is not recorded in governmental funds until it is paid:

Accrued Interest Payable - Beginning of Year	63,060
Accrued Interest Payable - End of Year	(74,510)

The issuance of Long-Term Debt provides current financial resources to governmental funds, while the repayment of the principal of Long-Term Debt consumes the current financial resources of governmental funds. Also, governmental funds report the effect of premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities.

The net changes in long-term liabilities are:

Repayment of Debt Principal	814,591
Issuance of Debt	(3,850,000)
Bond Premium	(51,628)
Amortization of Deferred Charges	33,737

Employees Early Retirement and Accumulated Sick Pay are reported on the accrual method in the Statement of Activities, and recorded as an expenditure when financial resources are used in the governmental funds:

Employees Early Retirement - Beginning of Year	72,000
Employees Early Retirement - End of Year	0
Accumulated Sick Pay - Beginning of Year	176,417
Accumulated Sick Pay - End of Year	(196,806)

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

REED CITY AREA PUBLIC SCHOOLS
REED CITY, MICHIGAN

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2017

Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the funds.

Changes in Pension Related Items	123,592
----------------------------------	---------

Restricted revenue reported in the governmental funds that is deferred to offset the deferred outflows of Section 147 C pension contributions subsequent to the measurement date.

Change in State Aid Funding for Pension	<u>(107,610)</u>
---	------------------

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	<u>\$ 1,555,145</u>
---	---------------------

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

REED CITY AREA PUBLIC SCHOOLS
REED CITY, MICHIGAN

STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS

JUNE 30, 2017

	<u>PRIVATE PURPOSE TRUST FUNDS</u>	<u>AGENCY FUNDS</u>
<u>ASSETS</u>		
Cash and Cash Equivalents	\$ 94,823	\$ 192,423
Notes Receivable (net of allowance for doubtful accounts)	27,031	0
TOTAL ASSETS	121,854	192,423
<u>LIABILITIES</u>		
Due to Groups and Organizations	0	192,423
<u>NET POSITION</u>		
Restricted for Scholarships and Memorials	<u>\$ 121,854</u>	<u>\$ 0</u>

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

REED CITY AREA PUBLIC SCHOOLS
REED CITY, MICHIGAN

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS

JUNE 30, 2017

	<u>PRIVATE PURPOSE TRUST FUNDS</u>
<u>ADDITIONS</u>	
Donations	\$ 1,764
Interest and Dividends	<u>1,317</u>
Total Additions	3,081
<u>DEDUCTIONS</u>	<u>0</u>
Change in Net Position	3,081
<u>NET POSITION</u> - Beginning of Year	<u>119,424</u>
<u>NET POSITION</u> - End of Year	<u>\$ 122,505</u>

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

REED CITY AREA PUBLIC SCHOOLS
REED CITY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

The School District (the "District") is located in Osceola, Lake, Newaygo and Mecosta Counties with its administrative offices located in Reed City, Michigan. The District operates under an elected 7-member board of education and provides services to its students in elementary, middle school, high school, special education instruction, guidance, health, transportation, food service, athletics and recreation. The District receives funding from local, state, and federal government sources and must comply with all of the requirements of these funding source entities. However, the District is not included in any other governmental reporting entity as defined by generally accepted accounting principles. Board members are elected by the public and have decision-making authority, the power to designate management, the ability to significantly influence operations, and the primary accountability for fiscal matters.

B. Description of Government-Wide Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report the information on all of the nonfiduciary activities of the primary government and its component units. All fiduciary activities are reported only in the fund financial statements. *Governmental activities*, which normally are supported by taxes, intergovernmental revenues, and other nonexchange transactions, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges to external customers for support. Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable. The School District does not have any business-type activities or component units.

C. Basis of Presentation – Government-Wide Financial Statements

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

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

D. Basis of Presentation – Fund Financial Statements

The fund financial statements provide information about the government's funds, including its fiduciary funds. Separate statements for each fund category – governmental and fiduciary – are presented. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column.

REED CITY AREA PUBLIC SCHOOLS
REED CITY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

All remaining governmental funds are aggregated and reported as nonmajor funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

The District reports the following major governmental fund:

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

The *2016 School Building and Site Fund* accounts for expenditures related to the 2016 Bond Issue.

Other non-major funds:

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

The *capital projects fund* accounts for the acquisition of fixed assets or construction of major capital projects.

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

Additionally, the District reports the following fund type:

Fiduciary funds are accounted for using the accrual method of accounting. Fiduciary funds account for assets held by the District in a trustee capacity or as an agent on behalf of others. This fund is custodial in nature and does not involve measurement of results of operations. Trust funds account for assets held by the District under the terms of a formal trust agreement. Fiduciary funds are not included in the government-wide statements.

The District reports the following fiduciary funds:

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

The *private purpose trust funds* are accounted for using the accrual method of accounting. Private purpose funds account for contributions earmarked for scholarships available to qualifying students of the District.

During the course of operations the government has activity between funds for various purposes. Any residual balances outstanding at year-end are reported as due from/to other funds and advances to/from other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities are eliminated so that only the net amount is included as internal balances in the governmental activities column.

REED CITY AREA PUBLIC SCHOOLS
REED CITY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column.

E. Measurement Focus and Basis of Accounting

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

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

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

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

The private-purpose trust funds are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. The agency fund has no measurement focus but utilizes the *accrual basis of accounting* for reporting its assets and liabilities.

REED CITY AREA PUBLIC SCHOOLS
REED CITY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

F. Budgetary Information

1. Budgetary Basis of Accounting

Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. Annual appropriated budgets are adopted for the general and special revenue funds.

Appropriations in all budgeted funds lapse at the end of the fiscal year even if they have related encumbrances. Encumbrances represent commitments related to unperformed contracts for goods or services. Encumbrance accounting - under which purchase orders, contracts and other commitments for the expenditure of resources are recorded to reserve that portion of the applicable appropriation - is utilized in the governmental funds. While all appropriations and encumbrances lapse at year-end, valid outstanding encumbrances (those for which performance under the executory contract is expected in the next year) are re-appropriated and become part of the subsequent year's budget pursuant to state regulations.

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

Prior to May, the various principals, directors and supervisors review operating budgets by program or building for the fiscal year commencing the following July 1, and submit them to the business manager.

This information is used to develop a budget and resolution for the General Fund and Special Revenue Funds. This includes proposed expenditures and the means of financing them and is compiled on a basis consistent with accounting principles generally accepted in the United States of America. In June, the budget resolution is subjected to a public hearing before the full Board and is adopted within seven days after this hearing and before July 1, the first day of the budgeted fiscal year.

Any revisions which increase or decrease expenditures for a program must be approved by the Board. The superintendent is authorized to transfer budgeted amounts between functions within any fund. The final budget reflects all revisions approved by the Board during the year. Unexpended appropriations lapse to the next fiscal year.

The budget is integrated with the accounting system of the District and is used as a management control device during the year.

Budgeted amounts are as originally adopted on June 20, 2016, or as amended by the School Board of Education at various times throughout the year.

2. Excess of Expenditures Over Appropriations

Food Service Fund – Expenditures of \$836,944 exceeded appropriations of \$820,558 by \$16,386.

REED CITY AREA PUBLIC SCHOOLS
REED CITY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

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

1. *Cash and Cash Equivalents and Restricted Cash*

The District's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments. The District considers all highly liquid investments (including certificates of deposit) to be cash equivalents.

2. *Investments and Restricted Investments*

Investments are carried at amortized cost which approximates fair value. The District complies with State statutes regarding investment of funds.

The Board policy on investment of funds authorizes the School District to invest as follows:

- (a) Bonds, bills, or notes of the United States, or obligations, the principal and interest of which are fully guaranteed by the United States.
- (b) Certificates of deposit issued by any state or national bank organized and authorized to operate in this state.
- (c) Commercial paper rated prime at the time of purchase and maturing not more than 270 days after the date of purchase.
- (d) Securities issued or guaranteed by agencies or instrumentalities of the United States.

The School's deposits and investments are held separately by several of the School District's funds.

3. *Inventory and Prepaid Items*

Inventory is valued at cost using the first-in/first-out method and consist primarily of food, teaching and office supplies. USDA donated commodities are recorded at fair value. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid expenditures.

4. *Capital Assets*

Capital assets purchased or acquired are capitalized at historical cost or estimated historical cost. Donated capital assets are valued at their acquisition value on the date received.

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

REED CITY AREA PUBLIC SCHOOLS
REED CITY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

Depreciation on all assets is provided on the straight-line basis over the estimated useful lives as follows:

Buildings	20-50 years
Land Improvements	10-20 years
Machinery and Equipment	5-20 years
Vehicles	8 years

The District's capitalization policy is to capitalize individual amounts exceeding \$5,000.

5. *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. The District has two items that qualify for reporting in this category. One is the deferred charge on refunding reported in the government-wide *Statement of Net Position*. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or funding debt. The other deferred outflow relates to the pension plan for its employees. Details can be found in footnote 3.E.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. The separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District has one item that qualifies for reporting in this category, which is related to the pension plan for its employees. Details can be found in footnote 3.E.

6. *Pension*

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

7. *Unearned Revenue*

Unearned revenue arises when resources are received by the District before it has a legal claim to them. In subsequent periods, when both revenue recognition criteria are met, or when the government has a legal claim to the resources, revenue is recognized. The District has unearned revenue related to state and local grants received and unspent due to restrictions on how they can be spent.

REED CITY AREA PUBLIC SCHOOLS
REED CITY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

8. *Long-Term Obligations*

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

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

9. *Net Position Flow Assumption*

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

10. *Fund Balance Flow Assumption*

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

11. *Fund Balance Policies*

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

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

REED CITY AREA PUBLIC SCHOOLS
REED CITY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

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

12. Use of Estimates

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

13. Restricted Assets

Certain resources of the 2016 School Building and Site Fund which are set aside for capital projects are classified as restricted cash and investments on the balance sheet because their use is limited by applicable bond covenants.

H. Revenues and Expenditures/Expenses

1. State Revenue

The State of Michigan utilizes a foundation grant approach which provides for a specific annual amount of revenue per pupil based on a statewide formula. The Foundation is funded from state and local sources. Revenues from state sources are primarily governed by the School Aid Act and the School Code of Michigan. The Michigan Department of Education administers the allocation of state funds to school districts based on information supplied by the districts. For the year ended June 30, 2017 the foundation allowance was based on pupil membership counts taken in February of 2016 and October of 2016. For fiscal year ended June 30, 2017, the per pupil foundation allowance was \$7,511 for Reed City Area Public Schools.

The state portion of the foundation is provided primarily by a state education property tax millage of 6 mills and an allocated portion of state sales and other taxes. The local portion of the foundation is funded primarily by non-homestead property taxes, which may be levied at a rate of up to 18 mills. The State revenue is recognized during the foundation period and is funded through payments from October 2016 to August 2017. Thus, the unpaid portion at June 30th is reported as due from other governmental units.

The District also receives revenue from the state to administer certain categorical education programs. State rules require that revenue earmarked for these programs be used for its specific purpose. Certain governmental funds require an accounting to the state of the expenditures incurred. For categorical

REED CITY AREA PUBLIC SCHOOLS
REED CITY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

funds meeting this requirement, funds received, which are not expended by the close of the fiscal year are recorded as unearned revenue. Other categorical funding is recognized when the appropriation is received.

2. Federal Revenue

Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met.

3. Program Revenues

Amounts reported as program revenue include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. All taxes, including those dedicated for specific purposes, state foundation aid, certain revenue from the intermediate school district and other unrestricted items are not included as program revenue but instead as *general revenues*.

4. Property Taxes

Properties are assessed as of December 31. Taxes are levied and become a lien on December 1. These taxes are due on February 14, with the final collection date of February 28, before they are added to the county delinquent tax rolls. Delinquent real property taxes are purchased by the counties of Mecosta, Newaygo, Osceola and Lake and remitted to the District after settlement.

For the year ended June 30, 2017, the District levied the following amounts per \$1,000 of assessed valuation:

<u>Fund</u>	<u>Mills</u>
General Fund - Non-Principal Residence Exemption (PRE)	18.00
General Fund - Non-PRE Commercial PPT	6.00
Debt Service Fund - PRE and Non-PRE	3.90

5. Compensated Absences

District employees are granted vacation and sick leave in varying amounts based on length of service. Unused vacation time does not accumulate from year-to-year. Sick leave is accumulated at different rates for various categories of employees. Unused sick leave accumulates from year-to-year to a maximum described in the contract. In the fund financial statements, only the matured liability for compensated absences is reported. The total liability is reported on the district-wide financial statements.

NOTE 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Violations of Legal or Contractual Provisions

Note 1.F.2, on the Excess of Expenditures over Appropriations, describes budgetary violations that occurred for the year ended June 30, 2017.

REED CITY AREA PUBLIC SCHOOLS
REED CITY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 3 – DETAILED NOTES ON ALL ACTIVITIES AND FUNDS

A. Deposits and Investments

Custodial credit risk – deposits. In the case of deposits, this is the risk that in the event of a bank failure, the government’s deposits may not be returned to it. As of June 30, 2017, the District’s bank balance was \$3,863,268 and \$2,759,916 of that amount was exposed to custodial credit risk because it was uninsured and uncollateralized. The risk is spread amongst the District’s funds. Although the District’s investment policy does not directly address custodial credit risk, it typically limits its exposure by purchasing insured or registered investments or by controlling who holds the deposits.

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

Credit risk. State law limits investments in commercial paper and corporate bonds to a prime or better rating issued by nationally recognized statistical rating organizations (NRSOs).

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

Foreign currency risk. The District is not authorized to invest in investments which have this type of risk; therefore, it is not addressed in the investment policy.

Custodial credit risk – investments. For an investment, this is the risk that, in the event of the failure of the counterparty, the government will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Although the District’s investment policy does not directly address custodial credit risk, it typically limits its exposure by purchasing insured or registered investments or by controlling who holds the investments.

As of June 30, 2017, the District had the following investments:

	Fair Value	Weighted Average Maturity (Years)	Standard & Poor's Rating	%
MILAF+ External Investment Pool - Max Class	\$ 3,582,611	0.0027	AAAm	100.00%
MILAF+ External Investment Pool - Cash Mgmt	74	0.0027	AAAm	0.00%
	<u>\$ 3,582,685</u>			<u>100.00%</u>
Portfolio Weighted Average Maturity		<u>0.0027</u>		

1 Day Maturity Equals 0.0027, One Year Equals 1.000

REED CITY AREA PUBLIC SCHOOLS
REED CITY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

The District invests certain excess funds in external pooled investment funds which include money market funds. One of the pooled investment funds utilized by the District is the Michigan Investment Liquid Asset Fund Plus (MILAF+). MILAF+ is a local government investment pool of “qualified” investments for Michigan school districts. MILAF+ is not regulated nor is it registered with the SEC. MILAF+ reports as of June 30, 2017, the fair value of the District’s investments is the same as the value of the pooled shares. MILAF, as defined by GASB, is recorded at amortized cost which approximates fair value. The MILAF+ portfolio offers three share classes which are: Cash Management Class, MAX Class, and GovMIC Class. The only class that has limitations or restrictions on withdrawals is MAX Class, which requires notification of redemptions prior to 14 days to avoid penalties. The MILAF+ portfolio is not subject to fair value disclosures.

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

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

Level 2: Prices determined using other significant observable inputs. Observable inputs are inputs that reflect the assumptions market participants would use in pricing a security and are developed based on market data obtained from sources independent of the reporting entity. These may include quoted prices from similar activities, interest rates, prepayment speeds, credit risk, and others. Debt securities are valued in accordance with evaluated bid price supplied by the pricing service and generally categorized as Level 2 in the hierarchy. Securities that are categorized as Level 2 in the hierarchy include, but are not limited to, repurchase agreements, U.S. government agency securities, corporate securities, and commercial paper.

Level 3: Prices determined using significant unobservable inputs. In situations where quoted prices or observable inputs are unavailable or deemed less relevant (for example, when there is little or no market activity for an investment at the end of the period), unobservable inputs may be used. Unobservable inputs reflect the reporting entity’s own assumptions about the factors market participants would use in pricing the security and would be based on the best information available under the circumstances.

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. There are two types of valuation techniques most commonly used and vary depending on the level of investment. These two techniques are the market approach and income approach. The market approach uses prices and other relevant information generated by the market transactions involving identical or similar assets and liabilities. The income approach discounts future amounts to a single current amount and the discount rate used in the process should reflect current market expectations about risks associated with those future cash flows.

The District does not have any investments subject to the fair value measurement.

REED CITY AREA PUBLIC SCHOOLS
REED CITY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

The carrying amount of deposits and investments is as follows:

	<u>Total</u>
Deposits – including Fiduciary Funds of \$287,482	\$ 3,758,081
Investments	3,582,685
	\$ 7,340,766

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

	<u>Total</u>
Cash - Fiduciary Funds	\$ 287,482
Cash - District-Wide	1,843,191
Restricted Cash - District-Wide	1,627,408
Investments	2,081,186
Restricted Investments	1,501,499
	\$ 7,340,766

B. Receivables

Receivables as of year-end for the government’s individual major funds and nonmajor are as follows:

	General Fund	Nonmajor Funds	Total
Receivables			
Accounts	\$ 4,430	\$ 16,438	\$ 20,868
Taxes	0	283	283
Due from Other Governments	2,207,441	23,177	2,230,618
 Total Receivables	\$ 2,211,871	\$ 39,898	\$ 2,251,769

Amounts due from other governments include amounts due from federal, state, and local sources for various projects and programs.

REED CITY AREA PUBLIC SCHOOLS
REED CITY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

C. Capital Assets

Capital assets activity for the year ended June 30, 2017, was as follows:

	Balance July 1, 2016	Additions	Deletions	Balance June 30, 2017
Assets Not Being Depreciated:				
Land	\$ 284,694	\$ 0	\$ 10,000	\$ 274,694
Construction in Progress	0	1,373,108	0	1,373,108
Total Capital Assets, Not Being Depreciated	284,694	1,373,108	10,000	1,647,802
Other Capital Assets:				
Buildings	15,912,267	66,614	0	15,978,881
Land Improvements	239,206	0	6,355	232,851
Machinery and Equipment	734,268	18,249	6,000	746,517
Transportation Equipment	1,600,846	114,500	189,343	1,526,003
Subtotal	18,486,587	199,363	201,698	18,484,252
Accumulated Depreciation				
Buildings	6,042,195	274,712	0	6,316,907
Land Improvements	217,025	6,038	6,355	216,708
Machinery and Equipment	529,595	28,524	6,000	552,119
Transportation Equipment	969,292	117,461	171,564	915,189
Total Accumulated Depreciation	7,758,107	426,735	183,919	8,000,923
Net Other Capital Assets	10,728,480	(227,372)	17,779	10,483,329
Net Capital Assets	\$11,013,174	\$ 1,145,736	\$ 27,779	\$12,131,131

Depreciation for the fiscal year ended June 30, 2017 amounted to \$426,735. The District determined that it was impractical to allocate depreciation to the various governmental activities as the assets serve multiple functions.

D. Defined Benefit Plan and Post-Retirement Benefits

Plan Description – The Michigan Public School Employees’ Retirement System (System or MPERS) is a cost-sharing, multiple employer, state-wide, defined benefit public employee retirement plan governed by the State of Michigan (State) originally created under Public Act 136 of 1945, recodified and currently operating under the provisions of Public Act 300 of 1980, as amended. Section 25 of this act establishes the board’s authority to promulgate or amend the provisions of the System. The board consists of twelve

REED CITY AREA PUBLIC SCHOOLS
REED CITY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

members – eleven appointed by the Governor and the State Superintendent of Instruction, who serves as an ex-officio member.

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 separately issued financial statements are available at www.michigan.gov/mpsers-cafr.

Benefit Provisions- Pension

Introduction

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

<u>Plan Name</u>	<u>Plan Type</u>	<u>Plan Status</u>
Basic	Defined Benefit	Closed
Member Investment Plan (MIP)	Defined Benefit	Closed
Pension Plus	Hybrid	Open
Defined Contribution	Defined Contribution	Open

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

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

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

Pension Reform 2010

On May 19, 2010, the Governor signed Public Act 75 of 2010 into law. As a result, any member of the Michigan Public School Employees' Retirement System (MPSERS) who became a member of MPSERS after June 30, 2010 is a Pension Plus member. Pension Plus is a hybrid plan that contains a pension

REED CITY AREA PUBLIC SCHOOLS
REED CITY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

component with an employee contribution (graded, up to 6.4% of salary) and a flexible and transferable defined contribution (DC) tax-deferred investment account that earns an employer match of 50% (up to 1% of salary) on employee contributions. Retirement benefits for Pension Plus members are determined by final average compensation and years of service. Disability and survivor benefits are available to Pension Plus members.

Pension Reform 2012

On September 4, 2012, the Governor signed Public Act 300 of 2012 into law. The legislation grants all active members who first became a member before July 1, 2010 and who earned service credit in the 12 months ending September 3, 2012, or were on an approved professional services or military leave of absence on September 3, 2012, a voluntary election regarding their pension. Any changes to a member's pension are effective as of the member's *transition date*, which is defined as the first day of the pay period that begins on or after February 1, 2013. Under the reform, members voluntarily chose to increase, maintain, or stop their contributions to the pension fund. Members who elected under option 1 to increase their level of contribution contribute 4% (Basic Plan) or 7% (MIP).

Regular Retirement

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

Annual Amount – Total credited service as of the transition date times 1.5% of final average compensation.

Pension Plus

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

Option 1: Credited service after the transition date times 1.5% times final average compensation.

Option 2: Credited service after the transition date (until total service reaches 30 years) times 1.5% times final average compensation, plus credited service after the transition date and over 30 years times 1.25% times final average compensation.

Option 3: Credited service after the transition date times 1.25% times final average compensation.

Option 4: None (Member will receive benefit through a defined contribution plan). As a Defined Contribution participant they receive a 4% employer contribution to a tax-deferred 401(k) account and can choose to contribute up to the maximum amounts permitted by the IRS.

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

REED CITY AREA PUBLIC SCHOOLS
REED CITY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

Final Average Compensation (FAC) – Average of highest 60 consecutive months (36 months for MIP members). FAC is calculated as of the last day worked unless the member elected option 4, in which case the FAC is calculated at the transition date.

Member Contributions

Depending on the plan selected, member contributions range from 0% to 7%. Plan members electing the defined contribution plan are not required to make additional contributions.

Employer Contributions

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

Employer contributions to the System are determined on an actuarial basis using the entry age normal actuarial cost method. Under 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, 2016 valuation will be amortized over a 20 year period for the 2016 fiscal year. The schedule below summarizes pension contribution rates in effect for fiscal year 2016.

Pension Contribution Rates

<u>Benefit Structure</u>	<u>Member</u>	<u>Employer</u>
Basic	0.0-4.0%	18.95%
Member Investment Plan	3.0-7.0%	18.95%
Pension Plans	3.0-6.4%	17.73%
Defined Contribution	0.0%	14.56%

The District's pension contributions for the year ended June 30, 2017 were equal to the required contribution total. Pension contributions were approximately \$1,773,929. These amounts include contributions funded from state revenue Section 147c restricted to fund MPSERS Unfunded Actuarial Accrued Liability (UAAL) Stabilization Rate (72.88% for pension and 27.12% for OPEB).

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

Pension Liabilities

At June 30, 2017, the District reported a liability of \$18,658,520 for its proportionate share of the net pension liability. The net pension liability was measured as of September 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation date of September 30, 2015 and rolled-forward using generally accepted actuarial procedures. The District's proportion of the net pension liability was based on a projection of its long-term share of contributions to the

REED CITY AREA PUBLIC SCHOOLS
REED CITY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

pension plan relative to the projected contributions of all participating reporting units, actuarially determined. At September 30, 2016 and 2015, the District's proportion was .07478610% and .07203020%.

MPSERS (Plan) Net Pension Liability – As of September 30, 2016 and September 30, 2015

	<u>September 30, 2016</u>	<u>September 30, 2015</u>
Total Pension Liability	\$ 67,917,445,078	\$ 66,312,041,902
Plan Fiduciary Net Position	42,968,263,308	41,887,015,147
Net Pension Liability	<u>\$ 24,949,181,770</u>	<u>\$ 24,425,026,755</u>
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	63.27%	63.17%
Net Pension Liability as a Percentage of Covered-Employee Payroll	295.81%	292.61%

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

For the year ended June 30, 2017, the District recognized total pension expense of \$1,065,355. This amount excludes contributions funded from state revenue Section 147c restricted to fund the MPSERS Unfunded Actuarial Accrued Liability (UAAL) Stabilization Rate.

At June 30, 2017, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 253,534	\$ 44,221
Section 147c revenue related to District Pension contributions subsequent to measurement date	0	584,981
Changes of assumptions	291,711	0
Net difference between projected and actual earnings on pension plan investments	310,104	0
Changes in proportion and differences between District contributions and proportionate share of contributions	515,798	283,120
District contributions subsequent to the measurement date	<u>1,617,119</u>	<u>0</u>
Total	<u>\$ 2,988,266</u>	<u>\$ 912,322</u>

\$1,617,119 reported as deferred outflows of resources and \$584,981 reported as deferred inflows or resources related to pensions resulting from District contributions subsequent to the measurement date will

REED CITY AREA PUBLIC SCHOOLS
REED CITY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

be recognized as a reduction of the net pension liability in the year ended June 30, 2018. 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>Year Ended September 30,</u>	<u>Amount</u>
2017	\$ 191,753
2018	167,202
2019	520,940
2020	163,911
	\$ 1,043,806

F. Actuarial Valuations and Assumptions of the Pension Plan

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, 2015
Actuarial Cost Method:	Entry Age, Normal
Wage Inflation Rate:	3.50%
Investment Rate of Return	
-MIP and Basic Plans (Non-Hybrid):	8.00%
-Pension Plus Plan (Hybrid):	7.00%
Projected Salary Increases:	3.5-12.3 % including wage inflation at 3.5%
Cost of Living Pension Adjustments:	3% Annual Non-Compounded for MIP Members

Mortality:

RP-2000 Male and Female Combine Healthy Life Mortality Tables, adjusted for mortality improvements to 2025 using projection scale BB. This assumption was first used for the September 30, 2014 valuation of the System. For retirees, 100% of the table rates were used. For active members, 80% of the table rates were used for males and 70% of the table rates were used for females.

REED CITY AREA PUBLIC SCHOOLS
REED CITY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

Notes:

- Assumption changes as a result of an experience study for the periods 2007 through 2012 have been adopted by the System for use in the annual pension valuations beginning with the September 30, 2014 valuation. The total pension liability as of September 30, 2016, is based on the results of an actuarial valuation date of September 30, 2015, 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: 4.6273.
- Recognition period for assets in years is 5.0000.
- Full actuarial assumptions are available in the 2016 MPSERS Comprehensive Annual Financial Report.

Long-Term Expected Rate of Return on Investments

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, 2016, are summarized in the following table:

<u>Investment Category</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic Equity Pools	28.00%	5.90%
Alternative Investment Pools	18.00%	9.20%
International Equity	16.00%	7.20%
Fixed Income Pools	10.50%	0.90%
Real Estate & Infrastructure Pools	10.00%	4.30%
Absolute Return Pools	15.50%	6.00%
Short-Term Investment Pools	2.00%	0.00%
	<u>100.00%</u>	

*Long-term rate does not include 2.1% inflation.

Discount Rate

A discount rate of 8.0% was used to measure the total pension liability (7.0% for the Pension Plus plan, a hybrid plan). This discount rate was based on the long-term expected rate of return on pension plan investments of 8.0% (7.0% for the Pension Plus plan). The projection of cash flows used to determine this

REED CITY AREA PUBLIC SCHOOLS
REED CITY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

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

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

The following presents the District's proportionate share of the net pension liability, calculated using the discount rate of 8.0 percent (7.0% for the Pension Plus plan), as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher:

1% Decrease (Non-Hybrid/Hybrid) 7.0% / 6.0%	Current Single Discount Rate Assumption (Non-Hybrid/Hybrid) 8.0% / 7.0%	1% Increase (Non-Hybrid/Hybrid) 9.0% / 8.0%
\$ 24,027,477	\$ 18,658,520	\$ 14,131,973

G. Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued Michigan Public School Employees Retirement System 2016 Comprehensive Annual Financial Report.

H. Payables to the Pension Plan

As of June 30, 2017, the District is current on all required pension plan payments. As of June 30, 2017, the District reported payables in the amount of \$257,111 to the pension plan. These amounts represent current payments for June wages paid in July, accruals for summer pay primarily for teachers and also the contributions due funded from state revenue Section 147c restricted to fund the MPSERS Unfunded Actuarial Accrued Liability (UAAL) Stabilization Rate.

I. Benefit Provisions – Other Post-Employment

Introduction

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. Beginning fiscal year 2013, it is funded on a prefunded basis. The System has contracted to provide the comprehensive group medical, hearing, dental and vision coverage for retirees and beneficiaries. A subsidized portion of the premium is paid by the System with the balance deducted from the monthly pension of each retiree health care recipient. For members who first worked before July 1, 2008, (Basic, MIP-Fixed, and MIP-Graded plan members), the subsidy is the maximum allowed by statute. To limit future liabilities of Other Postemployment Benefits, members who first worked on or after

REED CITY AREA PUBLIC SCHOOLS
REED CITY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

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.

Public Act 75 of 2010 requires each actively employed member of MPSERS after June 30, 2010 to annually contribute 3% of their compensation to offset employer contributions for health care benefits of current retirees.

Retiree Healthcare Reform of 2012

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

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

Employer Contributions

The employer contribution rate ranged from 5.52% - 6.45% of covered payroll for the period October 1, 2013 to March 9, 2015; from 2.20% - 2.71% of covered payroll for the period from March 10, 2015 to September 30, 2015; from 6.40% - 6.83% of covered payroll for the period from October 1, 2015 through September 30, 2016; and 5.69% - 5.91% of covered payroll for the period from October 1, 2016 through September 30, 2017 dependent upon the employee's date of hire and plan election.

The District's contributions to MPSERS for post-employment healthcare contributions for the years ended June 30, 2017, 2016 and 2015 were approximately \$605,000, \$565,000 and \$153,000.

J. Risk Management

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

The District participates in a distinct pool of education institutions within the State of Michigan for various risks of loss, including general liability, property and casualty, employee health and accident insurance, and workers' disability compensation. The pool is considered a public entity risk pools. The District pays annual premiums to each pool for the respective insurance coverage. In the event a pool's total claims and expenses

REED CITY AREA PUBLIC SCHOOLS
REED CITY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

for a policy year exceed the total normal annual premiums for said years, all members of the specific pool's policy year may be subject to special assessment to make up the deficiency. The District has not been informed of any special assessments being required.

K. Lease Information

Operating Leases

The lease consists of a lease agreement on a combination of copiers and printers located throughout the District. The future minimum lease payments for these leases are as follows:

<u>YEAR ENDING</u>	
2018	\$ 99,325
2019	99,325
2020	<u>8,277</u>
	<u><u>\$ 206,927</u></u>

The District's total copier lease expense for the year was \$99,656. This includes a monthly maintenance fee.

L. Long-Term Liabilities

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

The following is a summary of the governmental long-term liability transactions for the School District for the year ended June 30, 2017:

	BONDS PAYABLE	EARLY RETIREMENT OBLIGATIONS	INSTALLMENT PURCHASE AGREEMENT	COMPENSATED ABSENCES	NET PENSION LIABILITY	TOTAL
Balance, July 1, 2016	\$ 10,005,000	\$ 72,000	\$ 226,257	\$ 176,417	\$ 17,593,396	\$ 28,073,070
Additions	3,850,000	0	0	20,389	2,744,485	6,614,874
Deletions	(725,000)	(72,000)	(89,591)	0	(1,679,361)	(2,565,952)
Balance, June 30, 2017	<u>\$ 13,130,000</u>	<u>\$ 0</u>	<u>\$ 136,666</u>	<u>\$ 196,806</u>	<u>\$ 18,658,520</u>	<u>\$ 32,121,992</u>
Total due within one year	<u>\$ 825,000</u>	<u>\$ 0</u>	<u>\$ 90,804</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 915,804</u>

REED CITY AREA PUBLIC SCHOOLS
REED CITY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

The District's liability obligations at June 30, 2017, are comprised of the following issues:

\$3,030,000 2012 Refunding Bonds due in annual installments of \$260,000 to \$710,000 , plus interest, through May 1, 2020. Interest rate of 3.0%.	\$ 1,670,000
\$7,645,000 2015 Refunding Bonds due in annual installments of \$45,000 to \$805,000 plus interest, through May 1, 2029. Interest rates range from 3.00% to 4.00%.	7,610,000
\$3,850,000 2016 School Building and Site Bonds due in annual installments of \$80,000 to \$565,000 plus interest, through May 2031. Interest rates range from 2.00% to 2.750%.	3,850,000
\$530,500 installment purchase agreement for the purchase of 6 buses. Due in semi- annual installments of \$46,172, including interest, at 1.35%, through October 26, 2018.	136,666
Net Pension Liability	18,658,520
Compensated Absences	<u>196,806</u>
Total Long-Term Debt	<u><u>\$ 32,121,992</u></u>

Year Ending June 30,	Bonds Payable		Installment Purchase Agreement		Amounts Payable
	Principal	Interest	Principal	Interest	
2018	\$ 825,000	\$ 445,212	\$ 90,804	\$ 1,540	\$ 1,362,556
2019	850,000	421,263	45,862	310	1,317,435
2020	880,000	396,663	0	310	1,276,973
2021	910,000	366,163	0	0	1,276,163
2022	945,000	332,063	0	0	1,277,063
2023-2027	5,250,000	1,124,310	0	0	6,374,310
2028-2031	3,470,000	232,676	0	0	3,702,676
	<u>\$13,130,000</u>	<u>\$ 3,318,350</u>	<u>\$ 136,666</u>	<u>\$ 2,160</u>	<u>\$ 16,587,176</u>

The annual requirements to amortize the compensated absences are uncertain because it is unknown when the employees will use the sick leave. The annual requirements to amortize the net pension liability are uncertain because it is unknown when the liability will be paid.

Compensated absences, early retirement benefits, and the net pension liability will be paid by the fund in which the employee worked, including the general fund and other governmental funds.

REED CITY AREA PUBLIC SCHOOLS
REED CITY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

M. Short-Term Debt

The District has borrowed on state aid anticipation notes in order to meet its cash flow needs as follows:

	STATE AID NOTES
Balance, July 1, 2016	\$ 1,151,949
Additions	1,453,000
Deletions	(1,788,924)
 Balance, June 30, 2017	 \$ 816,025

The notes were issued August 22, 2016. The note of \$700,000 carries an interest rate of 1.200% and is due August 21, 2017. Additionally, the District borrowed \$451,985 at 0.760% interest and \$301,015 at 1.000% and made payments into a non-refundable escrow account. As such, the remaining balance at June 30, 2017 was \$816,025. The portion paid to escrow is considered defeased and is not shown on the District's financial statements at year-end. Of the remaining balance, \$116,025 was repaid on July 20, 2017 and the remainder of \$700,000 will be repaid August 22, 2017. Also, on August 20, 2017 the District will issue new State Aid Notes totaling \$990,000 due August 20, 2018.

N. Interfund Receivables and Payables

	INTERFUND RECEIVABLES	INTERFUND PAYABLES
General Fund	\$ 7,721	\$ 80,222
Community Services Fund	0	772
2001 Debt Retirement	0	64,754
2012 Debt Retirement	116,818	0
2015 Debt Retirement	23,229	0
2016 Debt Retirement	4,806	0
Food Service Fund	123	6,949
	\$ 152,697	\$ 152,697

The outstanding balances between funds result mainly from the time lag between the dates that (1) Interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made. All Interfund balances outstanding at June 30, 2017 are expected to be repaid within one year.

REED CITY AREA PUBLIC SCHOOLS
REED CITY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

O. Interfund Transfers

	TRANSFERS IN	TRANSFERS OUT
General Fund	\$ 7,000	\$ 685,344
Food Service Fund	0	7,000
2001 Debt Retirement Fund	0	64,754
2012 Debt Retirement Fund	64,754	0
Other Debt Retirement	92,344	0
Capital Projects Fund	593,000	0
	\$ 757,098	\$ 757,098

Transfers are used to (1) move revenues from the fund that is required to collect them to the fund that is required or allowed to expend them; (2) move receipts restricted to or allowed for debt service from the funds collecting the receipts to the debt service fund as debt service payments become due; and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

P. Other Information

1. Single Audit

Current federal guidelines require entities with federal expenditures exceeding \$750,000 to have a “single audit” of federally funded programs. This audit is being performed and the reports based thereon will be issued under a separate cover.

2. Commitments and Contingencies

Under the terms of various federal and state grants and regulatory requirements, periodic audits are required and certain cost may be questioned as not being appropriate expenditures under the terms of the grants and requirements. Such audits could lead to reimbursement of the grantor or regulatory agencies. However, management does not believe such disallowances, if any, would be material to the financial position of the District.

Commitments – the District entered into several contracts during the year that were uncomplete at year end. The District has uncompleted contract commitments totaling approximately \$2,100,000 which will be funded primarily by the District’s capital projects funds.

Q. Tax Abatement Disclosures

Effective for the year ended June 30, 2017, the District is required to disclose significant tax abatements as required by GASB statement 77 (tax abatements).

REED CITY AREA PUBLIC SCHOOLS
REED CITY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

The District received reduced property tax revenue as a result of Industrial Facilities Tax (IFT) exemptions granted by governmental entities within the District. The City of Reed City and Hersey Township are the only governmental entities within the District with IFT abatements. Industrial facility exemptions are intended to promote construction of new industrial facilities, acquisition of personal property or to rehabilitate historical facilities.

For the fiscal year ended June 30, 2017, (tax year 2016) the District's property tax revenues were reduced by approximately \$22,000 under this program.

The District is considered to be an "in-formula" district. 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. The District received approximately \$18,000 from the State of Michigan's determination.

The District received reduced property tax revenue as a result of "New PPT" PA 328 of 1998 exemptions granted by governmental entities within the District. The City of Reed City is the only governmental entity within the District with New PPT abatements. New PPT abatements are intended to promote bringing new business or more business to the State of Michigan.

For the fiscal year ended June 30, 2017, (tax year 2016) the District's property tax revenues were reduced by approximately \$86,000 under this program.

R. Capital Projects Fund

The 2016 Capital Project Fund includes capital project activities funded with bonds issued after May 1, 1994. For these capital projects, the District has complied with the applicable provisions of §1351a of the Revised School Code.

NOTE 4 – UPCOMING ACCOUNTING PRONOUNCEMENTS

The District is currently evaluating the impact these standards will have on the financial statements when adopted.

Government Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, was issued by the GASB in June 2015 and will be effective for the District's 2018 fiscal year-end. The Statement requires governments that participate in defined postemployment benefit plans to report in their statement of net position a net postemployment benefit liability. The net postemployment benefit liability is the difference between the total postemployment benefit liability (the present value of projected benefit payments to employees based on their past service) and the assets (mostly investments reported at fair value) set aside in a trust and restricted to paying benefits to current employees, retirees, and their beneficiaries. Statement 75 requires cost-sharing employers to record a liability and expense equal to their proportionate share of the collective net postemployment benefit liability and expense for the cost-sharing plan. The Statement also will improve the comparability and consistency of how governments calculate the postemployment benefit liabilities and expense.

REED CITY AREA PUBLIC SCHOOLS
REED CITY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

GASB Statement No. 84, *Fiduciary Activities*, was issued by the GASB in January 2017 and will be effective for the District's 2020 fiscal 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.

REED CITY AREA PUBLIC SCHOOLS
REED CITY, MICHIGAN

REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND

YEAR ENDED JUNE 30, 2017

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL
<u>REVENUES</u>			
Local Sources	\$ 2,571,425	\$ 2,625,246	\$ 2,626,358
State Sources	10,340,912	11,370,995	11,000,299
Federal Sources	830,648	787,956	791,874
Other Transactions	343,844	330,158	329,443
Total Revenues	14,086,829	15,114,355	14,747,974
<u>EXPENDITURES</u>			
Instruction			
Basic Instruction	7,036,274	7,105,688	7,005,862
Added Needs	1,987,154	1,729,081	1,698,212
Supporting Services			
Pupil	430,711	553,675	546,767
Instructional Staff	377,687	483,862	471,184
General Administration	386,814	428,137	425,353
School Administration	931,106	950,457	940,738
Business	320,386	272,700	264,708
Operating and Maintenance	1,085,352	1,184,610	1,169,954
Pupil Transportation	663,700	604,933	602,254
Central Services	232,566	251,210	248,953
Athletic Activities	334,781	317,051	310,334
Community Services			
Community Activities	0	8,971	8,561
Non Public School Pupils	24,857	23,921	22,936
Other Transactions	38,800	51,000	34,705
Total Expenditures	13,850,188	13,965,296	13,750,521
Excess (Deficiency) of Revenues Over Expenditures	236,641	1,149,059	997,453
<u>OTHER FINANCING SOURCES (USES)</u>			
Transfers In (Out)	(152,377)	(685,377)	(678,344)
Net Change in Fund Balance	84,264	463,682	319,109
<u>FUND BALANCE - Beginning of Year</u>	1,784,726	2,027,703	2,027,703
<u>FUND BALANCE - End of Year</u>	\$ 1,868,990	\$ 2,491,385	\$ 2,346,812

REED CITY AREA PUBLIC SCHOOLS
REED CITY, MICHIGAN

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
MICHIGAN PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM
LAST 10 FISCAL YEARS (AMOUNTS WERE DETERMINED AS OF 9/30 OF EACH FISCAL YEAR)
JUNE 30, 2017

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
District's proportion of net pension liability (%)								0.0747861%	0.0720302%	0.07402%
District's proportionate share of net pension liability								\$ 18,658,820	\$ 17,593,396	\$ 16,305,057
District's covered-employee payroll								6,417,471	5,979,433	6,292,956
District's proportionate share of net pension liability as a percentage of its covered-employee payroll								290.75%	294.23%	259.10%
Plan fiduciary net position as a percentage of total pension liability								63.27%	63.17%	66.20%

REED CITY AREA PUBLIC SCHOOLS
REED CITY, MICHIGAN

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CONTRIBUTIONS

MICHIGAN PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM
LAST 10 FISCAL YEARS (AMOUNTS WERE DETERMINED AS OF 6/30 OF EACH FISCAL YEAR)
JUNE 30, 2017

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Statutorily required contributions								\$ 1,773,929	\$ 1,672,229	\$ 1,312,195
Contributions in relation to statutorily required contributions *								1,773,929	1,672,229	1,312,195
Contribution deficiency (excess)								\$ 0	\$ 0	\$ 0
Covered-Employee Payroll								\$ 6,326,734	\$ 6,068,184	\$ 6,004,562
Contributions as a percentage of covered-employee payroll								28.04%	27.56%	21.85%

* Contributions in relation to statutorily contributions are the contributions a reporting unit actually made to the System, as distinct from the statutorily required contributions.

REED CITY AREA PUBLIC SCHOOLS
REED CITY, MICHIGAN

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR YEAR ENDED JUNE 30, 2017

A. Changes of Benefit Terms:

There were no changes of benefit terms for the plan year ended September 30, 2016.

B. Changes of Assumptions:

There were no changes of benefit assumptions for the plan year ended September 30, 2016.

THIS PAGE INTENTIONALLY LEFT BLANK

REED CITY AREA PUBLIC SCHOOLS
REED CITY, MICHIGAN

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS

JUNE 30, 2017

	SPECIAL REVENUE			DEBT RETIREMENT					TOTAL	
	FOOD	COMMUNITY	CAPITAL	OTHER DEBT	2001 DEBT	2016 DEBT	2012 DEBT	2015 DEBT		
	SERVICE	SERVICES	PROJECT	RETIREMENT	RETIREMENT	RETIREMENT	RETIREMENT	RETIREMENT		
FUND	FUND	FUND	FUND	FUND	FUND	FUND	FUND	FUND		
<u>ASSETS</u>										
Cash	\$ 207,545	\$ 38,999	\$ 778,993	\$ 0	\$ 64,754	\$ 3,349	\$ 93,376	\$ 175,774	\$ 1,362,790	
Accounts Receivable	16,438	0	0	0	0	0	0	0	16,438	
Taxes Receivable	0	0	0	0	0	17	184	82	283	
Due from Other Funds	123	0	0	0	0	4,806	116,818	23,229	144,976	
Due from Other Governments	23,177	0	0	0	0	0	0	0	23,177	
Inventory	21,049	0	0	0	0	0	0	0	21,049	
Prepaid Expenditures	73,017	0	0	0	0	0	0	0	73,017	
TOTAL ASSETS	\$ 341,349	\$ 38,999	\$ 778,993	\$ 0	\$ 64,754	\$ 8,172	\$ 210,378	\$ 199,085	\$ 1,641,730	
<u>LIABILITIES AND FUND BALANCE</u>										
<u>LIABILITIES</u>										
Accounts Payable	\$ 40,035	\$ 0	\$ 132,300	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 172,335	
Due to Other Funds	6,949	772	0	0	64,754	0	0	0	72,475	
Salaries Payable	0	1,790	0	0	0	0	0	0	1,790	
Unearned Revenue	4,923	30,392	0	0	0	0	0	0	35,315	
Total Liabilities	51,907	32,954	132,300	0	64,754	0	0	0	281,915	
<u>FUND BALANCE</u>										
Nonspendable:										
Inventory	21,049	0	0	0	0	0	0	0	21,049	
Prepaid Expenditures	73,017	0	0	0	0	0	0	0	73,017	
Restricted:										
Debt Retirement	0	0	0	0	0	8,172	210,378	199,085	417,635	
Food Service	195,376	0	0	0	0	0	0	0	195,376	
Assigned:										
Community Services	0	6,045	0	0	0	0	0	0	6,045	
Future Capital Projects	0	0	646,693	0	0	0	0	0	646,693	
Total Fund Balance	289,442	6,045	646,693	0	0	8,172	210,378	199,085	1,359,815	
TOTAL LIABILITIES AND FUND BALANCE	\$ 341,349	\$ 38,999	\$ 778,993	\$ 0	\$ 64,754	\$ 8,172	\$ 210,378	\$ 199,085	\$ 1,641,730	

REED CITY AREA PUBLIC SCHOOLS
REED CITY, MICHIGAN

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
NONMAJOR GOVERNMENTAL FUNDS

YEAR ENDED JUNE 30, 2017

	SPECIAL REVENUE			DEBT RETIREMENT					TOTAL
	FOOD SERVICE FUND	COMMUNITY SERVICES FUND	CAPITAL PROJECT FUND	OTHER DEBT RETIREMENT FUND	2001 DEBT RETIREMENT FUND	2016 DEBT RETIREMENT FUND	2012 DEBT RETIREMENT FUND	2015 DEBT RETIREMENT FUND	
<u>REVENUES</u>									
Local Sources	\$ 231,278	\$ 25,576	\$ 211	\$ 0	\$ 113	\$ 70,202	\$ 760,632	\$ 339,478	\$ 1,427,490
State Sources	20,443	0	0	0	0	4,806	52,064	23,229	100,542
Federal Sources	678,065	0	0	0	0	0	0	0	678,065
Total Revenues	929,786	25,576	211	0	113	75,008	812,696	362,707	2,206,097
<u>EXPENDITURES</u>									
Community Services	0	27,573	0	0	0	0	0	0	27,573
Food Service Activities	836,944	0	0	0	0	0	0	0	836,944
Capital Projects	0	0	148,469	0	0	0	0	0	148,469
Debt Service	0	0	0	92,344	73	66,836	762,318	340,765	1,262,336
Total Expenditures	836,944	27,573	148,469	92,344	73	66,836	762,318	340,765	2,275,322
Excess of Revenues Over (Under) Expenditures	92,842	(1,997)	(148,258)	(92,344)	40	8,172	50,378	21,942	(69,225)
<u>OTHER FINANCING SOURCES (USES)</u>									
Transfers In (Out)	(7,000)	0	593,000	92,344	(64,754)	0	64,754	0	678,344
Net Change in Fund Balance	85,842	(1,997)	444,742	0	(64,714)	8,172	115,132	21,942	609,119
<u>FUND BALANCE</u> - Beginning of Year	203,600	8,042	201,951	0	64,714	0	95,246	177,143	750,696
<u>FUND BALANCE</u> - End of Year	\$ 289,442	\$ 6,045	\$ 646,693	\$ 0	\$ 0	\$ 8,172	\$ 210,378	\$ 199,085	\$ 1,359,815

REED CITY AREA PUBLIC SCHOOLS
REED CITY, MICHIGAN

STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUND TYPES

JUNE 30, 2017

	<u>PRIVATE PURPOSE TRUST FUNDS</u>	<u>AGENCY FUNDS</u>	<u>TOTAL</u>
<u>ASSETS</u>			
Cash and Cash Equivalents	\$ 94,823	\$ 192,423	\$ 287,246
Notes Receivable (net of allowance for doubtful accounts of \$10,000)	27,031	0	27,031
TOTAL ASSETS	121,854	192,423	314,277
<u>LIABILITIES</u>			
Due to Groups and Organizations	0	\$ 192,423	192,423
<u>NET POSITION</u>			
Restricted for:			
Scholarships and Memorials	\$ 121,854	\$ 0	\$ 121,854

REED CITY AREA PUBLIC SCHOOLS
REED CITY, MICHIGAN

STATEMENT OF FIDUCIARY NET POSITION
PRIVATE PURPOSE TRUST FUNDS

JUNE 30, 2017

	<u>JEWELL</u> <u>SCHOLARSHIP</u>	<u>EMPLOYEE</u> <u>SCHOLARSHIP</u>	<u>TOTAL</u>
<u>ASSETS</u>			
Cash and Cash Equivalents	\$ 93,059	\$ 1,764	\$ 94,823
Notes Receivable (net of allowance for doubtful accounts of \$10,000)	27,031	0	27,031
TOTAL ASSETS	120,090	1,764	121,854
<u>LIABILITIES</u>	0	0	0
<u>NET POSITION</u>			
Restricted for:			
Scholarships and Memorials	\$ 120,090	\$ 1,764	\$ 121,854

REED CITY AREA PUBLIC SCHOOLS
REED CITY, MICHIGAN

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FIDUCIARY NET POSITION
PRIVATE PURPOSE TRUST FUNDS

YEAR ENDED JUNE 30, 2017

	<u>JEWELL</u>	<u>EMPLOYEE</u>	<u>TOTAL</u>
	<u>SCHOLARSHIP</u>	<u>SCHOLARSHIP</u>	
<u>ADDITIONS</u>			
Donations	\$ 0	\$ 1,112	\$ 1,112
Interest and Dividends	1,317	1	1,318
	<hr/>		
TOTAL ADDITIONS	1,317	1,113	2,430
 <u>NET POSITION</u> - Beginning of Year	 118,773	 651	 119,424
	<hr/>		
<u>NET POSITION</u> - End of Year	\$ 120,090	\$ 1,764	\$ 121,854
	<hr/> <hr/>		

REED CITY AREA PUBLIC SCHOOLS
REED CITY, MICHIGAN

STATEMENT OF FIDUCIARY NET POSITION
AGENCY FUNDS

JUNE 30, 2017

	NORMAN ELEMENTARY ACCOUNT	MIDDLE SCHOOL ACCOUNT	HIGH SCHOOL ACCOUNT	ATHLETIC FUNDRAISING ACCOUNT	BEVERAGE CONSORTIA ACCOUNT	TOTAL
<u>ASSETS</u>						
Cash and Cash Equivalents	\$ 18,603	\$ 29,234	\$ 66,821	\$ 74,482	\$ 3,283	\$ 192,423
<u>LIABILITIES</u>						
Due to Groups and Organizations	18,603	29,234	66,821	74,482	3,283	192,423
<u>NET POSITION</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>

REED CITY AREA PUBLIC SCHOOLS
REED CITY, MICHIGAN

STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND BALANCE
AGENCY FUND - NORMAN ELEMENTARY SCHOOL ACCOUNT

YEAR ENDED JUNE 30, 2017

	BALANCE 7/1/2016	RECEIPTS (Including Transfers)	DISBURSEMENTS	BALANCE 6/30/2017
1st Grade	\$ 100	\$ 0	\$ 0	\$ 100
2nd Grade	2	0	0	2
3rd Grade	520	0	0	520
4th Grade	170	0	0	170
5th Grade	8	0	0	8
Accelerated Reader	38	0	0	38
Activity	6,757	5,576	7,511	4,822
Book Fair	0	9,052	9,007	45
Dollar General/Hop Sports MS	57	0	0	57
Family Fun Night	1,491	0	1,458	33
Family School Service	314	0	0	314
Fitness Program	70	0	0	70
Fun Fours	30	0	0	30
General Mills Foundation / Jo Knack	1,000	0	642	358
General Mills Foundation	4,002	0	0	4,002
Interest Fund	241	24	0	265
Library	1,136	127	658	605
LIFT	12	0	0	12
Meemic Foundation / Guiney	243	480	462	261
Nutrition Grant	557	0	0	557
Osceola County Foundation Grant	1,512	676	0	2,188
Pop	1	0	0	1
PTO Fund	241	0	0	241
Safety Patrol	20	0	0	20
Target	1,580	0	0	1,580
TransCanada	1,116	0	0	1,116
United Way Grant	1,202	250	264	1,188
	<u>\$ 22,420</u>	<u>\$ 16,185</u>	<u>\$ 20,002</u>	<u>\$ 18,603</u>

Represented by

Assets

Cash

\$ 22,420

\$ 18,603

Liabilities

Due to Groups and Organizations

\$ 22,420

\$ 18,603

REED CITY AREA PUBLIC SCHOOLS
REED CITY, MICHIGAN

STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND BALANCE
AGENCY FUND - MIDDLE SCHOOL ACCOUNT

YEAR ENDED JUNE 30, 2017

	BALANCE 7/1/2016	RECEIPTS (Including Transfers)	DISBURSEMENTS	BALANCE 6/30/2017
6th Grade	\$ 2,014	\$ 2,300	\$ 3,815	\$ 499
7th Grade	210	3,650	3,874	(14)
8th Grade	6,746	14,263	17,013	3,996
ACT Aspire	455	0	0	455
Art Club	212	0	190	22
Band Resales	39	0	0	39
Band Sales	480	16,011	15,865	626
CBI Classroom	305	1,909	1,587	627
Counseling	227	128	286	69
EGG	969	520	1,046	443
Finance Class	5,189	4,865	2,994	7,060
Friday Adventure Revenue	0	321	227	94
Grant Money	305	1,000	1,015	290
Interest	19	40	0	59
Language Arts Books	824	0	79	745
Math Counts	438	1,128	1,379	187
Math Department	18	0	0	18
Osceola Foundation	592	0	0	592
PAT	369	5,409	5,524	254
Peer to Peer	123	0	18	105
Pep Club	2,113	0	0	2,113
Pop Fund	187	867	855	199
RCMS Green	264	351	187	428
Robotics Revenue	0	3,305	2,664	641
School Improvement	85	0	0	85
Science Department	1,147	0	114	1,033
Shop Department	69	912	944	37
Ski Club	1,302	1,002	1,118	1,186
Student Council	7,834	289	1,912	6,211
Track	120	0	0	120
World Cultures Revenue	0	605	683	(78)
Yearbook	3,193	1,893	3,993	1,093
	<u>\$ 35,848</u>	<u>\$ 60,768</u>	<u>\$ 67,382</u>	<u>\$ 29,234</u>
Represented by				
Assets				
Cash	<u>\$ 35,848</u>			<u>\$ 29,234</u>
Liabilities				
Due to Groups and Organizations	<u>\$ 35,848</u>			<u>\$ 29,234</u>

REED CITY AREA PUBLIC SCHOOLS
REED CITY, MICHIGAN

STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND BALANCE
AGENCY FUND - HIGH SCHOOL ACCOUNT

YEAR ENDED JUNE 30, 2017

	BALANCE	RECEIPTS	DISBURSEMENTS	BALANCE
	7/1/2016	(Including Transfers)		6/30/2017
Advance Placement English	\$ 231	\$ 1,290	\$ 1,045	\$ 476
Annual (Yearbook)	4,944	11,249	0	16,193
Bailey Scholarship	240	0	0	240
Chicago Trip	558	7,280	7,562	276
Choral Music	169	0	11	158
Class of 2006	1,177	0	0	1,177
Class of 2007	526	0	0	526
Class of 2009	30	0	0	30
Class of 2010	2,303	0	0	2,303
Class of 2011	150	0	0	150
Class of 2014	414	0	0	414
Class of 2016	1,008	0	0	1,008
Class of 2017	1,615	8,615	9,207	1,023
Class of 2018	3,699	6,345	8,496	1,548
Class of 2019	1,200	4,364	1,877	3,687
Class of 2020	600	600	628	572
Coke Account	1,188	1,011	1,179	1,020
Counseling	2,817	650	558	2,909
Creative Writing	0	600	46	554
Dance Team	1	0	0	1
E.G.G.	255	270	164	361
English/Math	654	0	0	654
Equestrian Team	52	4,242	3,690	604
Fees	177	0	0	177
FIRST Robotic Team	2,823	19,976	18,553	4,246
Gen Mills P.E. Grant	16	0	0	16
Grant Fund	1,104	0	0	1,104
GRBS Scholarship	2,000	1,000	0	3,000
Health Education - Drug Free	1,769	630	421	1,978
High School Improvement	2,603	1,242	1,895	1,950
Industrial Arts	1,200	2,193	2,231	1,162
Interest	310	48	236	122
Leadership	656	0	133	523
Miss Kadwell School Fund	2,000	0	2,000	0
National Art	1,028	350	473	905
National Honor Society	188	6,425	5,908	705

REED CITY AREA PUBLIC SCHOOLS
REED CITY, MICHIGAN

STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND BALANCE
AGENCY FUND - HIGH SCHOOL ACCOUNT

YEAR ENDED JUNE 30, 2017

	BALANCE 7/1/2016	RECEIPTS (Including Transfers)	DISBURSEMENTS	BALANCE 6/30/2017
Pay It Forward	610	0	0	610
Pepsi Cola Fund	965	258	1,044	179
Project Outreach	270	0	0	270
Quizbowl	360	250	77	533
Restitution Account	76	15	0	91
Science Dome	1,278	2,299	1,767	1,810
Ski Club	468	33	30	471
Spanish Club	69	10,336	8,477	1,928
Student Council	3,821	5,055	2,143	6,733
Student Parking Permit	862	610	747	725
Transcript Account	5	20	0	25
Vending Machine	647	977	603	1,021
Weight Room	1,211	649	1,733	127
Welding	100	0	0	100
Wes Leonard	372	0	0	372
Youth Advisory Committee	55	500	501	54
	<u>\$ 50,874</u>	<u>\$ 99,382</u>	<u>\$ 83,435</u>	<u>\$ 66,821</u>

Represented by

Assets

Cash

\$ 50,950

\$ 66,821

Liabilities

Due to Other Funds

\$ 76

\$ 0

Due to Groups and Organizations

50,874

66,821

Total Liabilities

\$ 50,950

\$ 66,821

REED CITY AREA PUBLIC SCHOOLS
REED CITY, MICHIGAN

STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND BALANCE
AGENCY FUND - ATHLETIC FUNDRAISING ACCOUNT

YEAR ENDED JUNE 30, 2017

	<u>BALANCE</u> 7/1/2016	<u>RECEIPTS</u> (Including Transfers)	<u>DISBURSEMENTS</u>	<u>BALANCE</u> 6/30/2017
Athletic Director	\$ 1,199	\$ 12,068	\$ 7,714	\$ 5,553
Baseball	1	7,338	6,807	532
Boys Basketball	2,545	7,867	5,845	4,567
Boys Soccer	2,186	416	695	1,907
Cheer	2,118	0	60	2,058
Cross Country	84	945	1,029	0
Football	3,564	26,573	22,687	7,450
Girls Basketball	1,148	2,672	989	2,831
Girls Soccer	1,584	186	69	1,701
Golf	1	761	761	1
Interest	370	12	191	191
Invitational	15,606	5,965	2,941	18,630
Little League	1,600	8,972	10,274	298
MHSAA Tournament	17,998	23,737	28,524	13,211
School Store	570	0	0	570
Softball	1,687	4,635	3,017	3,305
Track	3,635	3,047	3,469	3,213
Volleyball	0	3,306	2,546	760
Wrestling	2,814	4,072	5,612	1,274
Annual Golf Outing	9,982	12,856	16,408	6,430
	<u>\$ 68,692</u>	<u>\$ 125,428</u>	<u>\$ 119,638</u>	<u>\$ 74,482</u>
Represented by				
Assets				
Cash	<u>\$ 68,692</u>			<u>\$ 74,482</u>
Liabilities				
Due to Groups and Organizations	<u>\$ 68,692</u>			<u>\$ 74,482</u>

REED CITY AREA PUBLIC SCHOOLS
REED CITY, MICHIGAN

STATEMENT OF CASH RECEIPTS, DISBURSEMENTS, AND BALANCE
AGENCY FUND - BEVERAGE CONSORTIA ACCOUNT

YEAR ENDED JUNE 30, 2017

	<u>BALANCE</u>	<u>RECEIPTS</u>	<u>DISBURSEMENTS</u>	<u>BALANCE</u>
	<u>7/1/2016</u>	<u>(Including Transfers)</u>		<u>6/30/2017</u>
Beverage Consortia	\$ 2,027	\$ 2,849	\$ 1,593	\$ 3,283
Represented by				
Assets				
Cash	<u>\$ 2,027</u>			<u>\$ 3,283</u>
Liabilities				
Due to Groups and Organizations	<u>\$ 2,027</u>			<u>\$ 3,283</u>

REED CITY AREA PUBLIC SCHOOLS
REED CITY, MICHIGAN

SCHEDULE OF BONDS PAYABLE

JUNE 30, 2017

2012 REFUNDING BONDS

<u>TITLE OF ISSUE</u>	2012 Refunding Bonds
<u>PURPOSE</u>	Advance refunding of a portion of the 2004 School Building and Site Bonds
<u>INTEREST PAYABLE</u>	May 1, and November 1, of each year
<u>AMOUNT OF ISSUE</u>	<u>\$ 3,030,000</u>

<u>DUE DATES</u>	<u>INTEREST RATES</u>	<u>REQUIREMENTS</u>			
		<u>TOTAL FISCAL YEAR</u>	<u>SEMI-ANNUAL INTEREST PAYMENTS</u>		<u>PRINCIPAL MAY 1</u>
			<u>NOV 1</u>	<u>MAY 1</u>	
2018	3.000 %	\$ 750,100	\$ 25,050	\$ 25,050	\$ 700,000
2019	3.000 %	739,100	14,550	14,550	710,000
2020	3.000 %	267,800	3,900	3,900	260,000
		<u>\$ 1,757,000</u>	<u>\$ 43,500</u>	<u>\$ 43,500</u>	<u>\$ 1,670,000</u>

REED CITY AREA PUBLIC SCHOOLS
REED CITY, MICHIGAN

SCHEDULE OF BONDS PAYABLE
JUNE 30, 2017

2015 REFUNDING BONDS

<u>TITLE OF ISSUE</u>	2015 Refunding Bonds	
<u>PURPOSE</u>	Advance refunding of the 2015 School Building and Site Bonds	
<u>INTEREST PAYABLE</u>	May 1, and November 1, of each year	
<u>AMOUNT OF ISSUE</u>		<u>\$ 7,645,000</u>

<u>DUE DATES</u>	<u>INTEREST RATES</u>	<u>REQUIREMENTS</u>			
		<u>TOTAL FISCAL YEAR</u>	<u>SEMI-ANNUAL INTEREST PAYMENTS</u>		<u>PRINCIPAL MAY 1</u>
			<u>NOV 1</u>	<u>MAY 1</u>	
2018	3.000 %	\$ 348,450	\$ 151,725	\$ 151,725	\$ 45,000
2019	3.000 %	352,100	151,050	151,050	50,000
2020	4.000 %	815,600	150,300	150,300	515,000
2021	4.000 %	1,075,000	140,000	140,000	795,000
2022	4.000 %	1,053,200	124,100	124,100	805,000
2023	4.000 %	1,016,000	108,000	108,000	800,000
2024	4.000 %	974,000	92,000	92,000	790,000
2025	4.000 %	932,400	76,200	76,200	780,000
2026	4.000 %	891,200	60,600	60,600	770,000
2027	4.000 %	850,400	45,200	45,200	760,000
2028	4.000 %	810,000	30,000	30,000	750,000
2029	4.000 %	780,000	15,000	15,000	750,000
		<u>\$ 9,898,350</u>	<u>\$ 1,144,175</u>	<u>\$ 1,144,175</u>	<u>\$ 7,610,000</u>

REED CITY AREA PUBLIC SCHOOLS
REED CITY, MICHIGAN

SCHEDULE OF BONDS PAYABLE
JUNE 30, 2017

2016 SCHOOL BUILDING AND SITE BONDS

TITLE OF ISSUE 2016 School Building and Site Bonds

PURPOSE Partially remodeling, furnishing and refurnishing, and equipping and reequipping school facilities; acquiring, installing and equipping school facilities for instructional technology; purchasing and equipping school buses; constructing, equipping, developing and improving the high school athletic field/running track, athletic facilities, a playground and sites.

INTEREST PAYABLE May 1, and November 1, of each year

AMOUNT OF ISSUE \$ 3,850,000

<u>DUE DATES</u>	<u>INTEREST RATES</u>	<u>REQUIREMENTS</u>			
		<u>TOTAL FISCAL YEAR</u>	<u>SEMI-ANNUAL INTEREST PAYMENTS</u>		<u>PRINCIPAL MAY 1</u>
			<u>NOV 1</u>	<u>MAY 1</u>	
2018	2.000 %	\$ 171,662	\$ 45,831	\$ 45,831	\$ 80,000
2019	2.000 %	180,063	45,032	45,031	90,000
2020	2.000 %	193,263	44,131	44,132	105,000
2021	2.000 %	201,163	43,082	43,081	115,000
2022	2.000 %	223,863	41,931	41,932	140,000
2023	2.000 %	261,062	40,531	40,531	180,000
2024	2.000 %	302,462	38,731	38,731	225,000
2025	2.000 %	342,962	36,481	36,481	270,000
2026	2.000 %	382,562	33,781	33,781	315,000
2027	2.250 %	421,262	30,631	30,631	360,000
2028	2.500 %	458,162	26,581	26,581	405,000
2029	2.750 %	483,038	21,519	21,519	440,000
2030	2.750 %	590,938	15,469	15,469	560,000
2031	2.750 %	580,538	7,769	7,769	565,000
		<u>\$ 4,793,000</u>	<u>\$ 471,500</u>	<u>\$ 471,500</u>	<u>\$ 3,850,000</u>

