

**Central Montcalm Public School  
Stanton, Michigan**

**FINANCIAL STATEMENTS**

**June 30, 2017**

Central Montcalm Public School  
Stanton, Michigan

June 30, 2017

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Central Montcalm Public School

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Education  
Central Montcalm Public School  
Stanton, 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 Central Montcalm Public School (the District), 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 *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 Central Montcalm Public School, 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, budgetary comparison information, and schedules of proportionate share of net pension liability and contributions, as identified in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Central Montcalm Public School's basic financial statements. The combining nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining nonmajor 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 nonmajor fund financial statements are fairly stated in all material respects in relation to the basic financial statements as a whole.

## **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated September 18, 2017, on our consideration of Central Montcalm Public School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Central Montcalm Public School's internal control over financial reporting and compliance.

*Stevens Kirinovic & Tucker, P.C.*

STEVENS, KIRINOVIC & TUCKER, P.C.  
Certified Public Accountants

September 18, 2017

Central Montcalm Public School  
MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2017

This section of the Central Montcalm Public School's annual financial report presents our discussion and analysis of the School District's financial performance during the year ended June 30, 2017. Please read it in conjunction with the School District's financial statements, which immediately follow this section.

**Using this Annual Report**

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand Central Montcalm Public School financially as a whole. The **district-wide** financial statements provide information about the activities of the whole School District, presenting both an aggregate view of the School District's finances and a longer-term view of those finances. The **fund** financial statements provide the next level of detail. For governmental activities, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements look at the School District's operations in more detail than the district-wide financial statements by providing information about the School District's most significant (major) funds, (the General Fund and 2016 Capital Projects Fund) with all other funds presented in one column as nonmajor funds. The remaining statement, the statement of fiduciary (Student Activities Agency) assets and liabilities, presents financial information about activities for which the School District acts solely as an agent for the benefit of students and parents.

**District-wide Financial Statements**

One of the most important questions asked about the School District is, "As a whole, what is the School District's financial condition as a result of the year's activities?" The statement of net position and the statement of activities, which appear first in the School District's financial statements, report information on the School District as a whole and its activities in a way that helps you answer this question. We prepare these statements to include all assets and liabilities, using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the School District's net position - the difference between assets, deferred outflows of resources, liabilities, and deferred inflows of resources, as reported in the statement of net position - as one way to measure the School District's financial health or financial position. Over time, increases or decreases in the School District's net position - as reported in the statement of activities - are indicators of whether its financial health is improving or deteriorating. The relationship between revenues and expenses is the School District's operating results. However, the School District's goal is to provide services to our students, not to generate profits as commercial entities do. One must consider many other non-financial factors, such as the quality of the education provided, the condition of the district's assets and the safety of the schools, to assess the overall health of the School District.

The statement of net position and the statement of activities report the governmental activities for the School District, which encompass all of the School District's services, including instruction, support services, community services, athletics, and food services. Property taxes, unrestricted State aid (foundation allowance revenue), and State and federal grants finance most of these activities.

**Fund Financial Statements**

The School District's fund financial statements provide detailed information about the most significant funds - not the School District as a whole. Some funds are required to be established by State law and by bond covenants. However, the School District establishes many other funds to help it control and manage money for particular purposes (the Food Service Fund, for example) or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money (such as bond-funded construction funds used for voter-approved capital projects). The governmental funds of the School District use the following accounting approach:

Central Montcalm Public School

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2017

Governmental funds - All of the School District's services are reported in governmental funds. Governmental fund reporting focuses on showing how money flows into and out of funds and the balances left at year-end that are available for spending. They are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the operations of the School District and the services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the School District's programs. We describe the relationship (or differences) between governmental activities (reported in the statement of net position and the statement of activities) and governmental funds in reconciliation.

**The School District as Trustee - Reporting the School District's Fiduciary Responsibilities**

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

**The School District as a Whole**

Recall that the statement of net position provides the perspective of the School District as a whole. Table 1 provides a summary of the School District's net position as of June 30, 2017, with comparative information as of June 30, 2016:

Table 1

	<u>Statement of Net Position</u>	
	<u>June 30, 2017</u>	<u>June 30, 2016</u>
Assets		
Current Assets	\$ 10,126,882	\$ 7,875,337
Capital Assets	<u>21,509,984</u>	<u>20,693,548</u>
Total Assets	31,636,866	28,568,885
Deferred Outflows of Resources	4,345,135	2,512,858
Liabilities		
Current Liabilities	4,042,575	5,992,750
Noncurrent Liabilities	<u>37,200,484</u>	<u>31,846,825</u>
Total Liabilities	41,243,059	37,839,575
Deferred Inflows of Resources	<u>793,048</u>	<u>542,784</u>
Net Position		
Net investment in capital assets	9,984,163	8,848,079
Restricted	405,618	417,542
Unrestricted	<u>(16,443,887)</u>	<u>(16,566,237)</u>
	<u>\$ (6,054,106)</u>	<u>\$ (7,300,616)</u>

Central Montcalm Public School

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2017

By far the most significant portion of the District's net position is the negative unrestricted portion related to pensions. The District also reports its investment in capital assets (e.g., land, buildings, equipment, etc.). The District uses these capital assets to provide services to students and residents of the community; consequently, these assets are *not* available for future spending. Also, a certain amount of net position was restricted for specific purposes such as debt service.

The analysis in Table 1 focuses on the net position of the District. The effect on net position as a result of the fiscal year activities is reflected in Table 2.

Net investment in capital assets totaling \$9,984,163, compares the original cost, less accumulated depreciation of the School District's capital assets, to long-term debt used to finance the acquisition of those assets, taking into consideration unspent bond proceeds on hand for the current bond issue. Capital assets also reflect investments in capital assets from operating funds. Most of the debt will be repaid from voter-approved property taxes collected as the debt service comes due. Restricted net position is reported separately to show legal constraints from debt covenants and enabling legislation that limit the School District's ability to use those net position for day-to-day operations. Restricted net position reflects the Debt Service fund balances less accrued interest on long-term debt as of June 30, 2017, as well as the remaining proceeds from the District's bond issuance that are restricted for capital projects. Unrestricted net position reflects those assets available to the school district for use in its operation.

The (\$16,443,887) in unrestricted net position of governmental activities represents the *accumulated* results of all past years' operations. The unrestricted net position balance enables the School District to meet working capital and cash flow requirements as well as to provide for future uncertainties. The operating results of the General Fund will have a significant impact on the change in unrestricted net position from year to year.

The results of this year's operations for the School District as a whole are reported in the condensed statement of activities (Table 2), which shows the changes in net position for fiscal years 2015/2016 and 2016/2017. Depreciation costs are not allocated to areas of activities but reflected in the Statement of Activities as unallocated.

Governmental Activities

Table 2

	Year Ended,	
	<u>June 30, 2017</u>	<u>June 30, 2016</u>
Revenues		
Program Revenues:		
Charges for services	\$ 282,383	\$ 288,008
Operating and capital grants and contributions	3,056,326	3,015,914
General Revenues:		
Property Taxes	3,631,315	3,613,216
State foundation allowance	11,595,019	11,774,027
Other	117,352	72,935
	<hr/>	<hr/>
Total Revenue	18,682,395	18,764,100

Central Montcalm Public School  
MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2017

Table 2 - continued

Functions/Program Expenses	Year Ended,	
	June 30, 2017	June 30, 2016
Instruction	\$ 9,870,922	\$ 9,653,511
Support Services	5,414,754	5,362,438
Food Services	829,368	789,016
Community service	1,531	7,683
Interest and costs on long-term debt	458,574	373,377
Unallocated depreciation	860,736	863,395
Total Expenses	17,435,885	17,049,420
Increase in Net Position	\$ 1,246,510	\$ 1,714,680

In the 2016/2017 fiscal year the district experienced a slight decrease in revenue which resulted primarily from an increase in the foundation allowance which was offset by decrease in the blended enrollment by 69 students. As a result, the district amended the budget accordingly to ensure a balanced budget.

As reported in the Statement of Activities, the cost of all of our *governmental* activities this year was \$17,435,885. Certain activities were partially funded from those who benefited from the programs (\$282,383 charges for services) or by other governments and organizations that subsidized certain programs with operating grants and contributions (\$3,056,326). We paid for the remaining “public benefit” portion of our governmental activities with \$3,631,315 in taxes (for General and Debt funds) and \$11,595,019 in State foundation allowance and other revenues, i.e., interest and general entitlements were able to fully fund current expenses with current revenues therefore we had an increase of net position of \$1,246,510.

As discussed above, the net cost shows the financial burden that was placed on the State and the School District’s taxpayers by each of these functions. Since property taxes for operations and unrestricted State aid constitute the vast majority of district operating revenue sources, the Board of Education and administration must annually evaluate the needs of the School District and balance those needs with State-prescribed available unrestricted resources.

**The School District’s Funds**

As we noted earlier, the School District uses funds to help it control and manage money for particular purposes. Looking at funds helps the reader consider whether the School District is being accountable for the resources taxpayers and others provide to it and may provide more insight into the School District’s overall financial health.

As the School District completed this year, the governmental funds reported a combined fund balance of \$7,959,112, which is an increase of approximately \$4,306,525 from last year. The primary reason for the increase was due to the addition of the 2016 Capital Project Fund in the 2016/2017 fiscal year as a result of issuing \$5,405,000 in general obligation bonds in the current year.

Central Montcalm Public School  
MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2017

**General Fund Highlights**

Over the course of the year, the School District revises its budget as it attempts to deal with unexpected changes in revenues and expenditures. State law requires that the budget be amended to ensure that expenditures do not exceed appropriations. The final amendment to the budget was actually adopted just before year-end. A schedule showing the School District's original and final budget amounts compared with amounts actually paid and received is provided in required supplementary information of these financial statements.

There were several revisions made to the 2016-2017 General Fund original budget. The total revenue and other financing sources and expenditure and other financing uses budgets were amended and increased by \$106,500 and \$259,567, respectively. The increase in revenue was primarily due to additional special ed funding received for Medicaid and a payment received to offset Special Ed Director costs. Other revenues were adjusted upward to reflect the actual inflow of revenue received. Expenditures increased reflecting additional costs in the added needs area (At Risk and Special Ed) and also in the pupil support area. In addition, other costs increased slightly reflecting an inflationary increase in educating the students of Central Montcalm Public School.

**Debt Service Fund Highlights**

The Debt Service Funds consist of three (3) separate debt funds as follows: 2012 Bond Refunding, 2015 Bond Refunding and 2016 Building and Site Bond. The Debt Service Funds are set up to collect taxes and pay annual debt payments. At June 30, 2017, the Debt Service Funds had \$491,825 in fund equity available for future bond payments.

**Capital Assets and Debt Administration**

***Capital Assets***

As of June 30, 2017, the School District had approximately \$21.5 million invested in a broad range of net capital assets, including land, buildings, vehicles, furniture, and equipment (net of accumulated depreciation). This amount represents a net increase (including additions and disposals) of \$816,436 from last year's historical cost of capital assets. Below is the historical cost (net of accumulated depreciation) of all District capital assets:

	2017	2016
Land	\$ 12,802	\$ 12,802
Construction in progress	1,353,152	-
Buildings and building improvements	19,351,553	19,981,685
Buses and other vehicles	251,431	291,565
Furniture and equipment	541,046	407,496
Total historical cost	\$ 21,509,984	\$ 20,693,548

See Note C in the financial statements for more details related to capital assets.

This year's additions to historical cost of approximately \$1,677,672 included the start of several capital improvement projects funded by the District's approval of bonds in 2016, purchase of two school buses and the purchase of computers and various other pieces of equipment.

Central Montcalm Public School  
MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2017

**Debt**

At the end of this year, the School District had approximately \$16.0 million in bonds and other obligations outstanding versus approximately \$12.3 million in the previous year. The increase is due to the issuance of \$5,405,000 in bonds and annual debt payments and other adjustments. Those debts consisted of the following:

	2017	2016
Bonds	\$ 14,040,000	\$ 10,145,000
Installment purchase agreements and contracts	375,000	450,000
Compensated absences	194,751	198,364
Capitalized bond premium	1,410,550	1,528,096
Total	\$ 16,020,301	\$ 12,321,460

The State limits the amount of general obligation debt that schools can issue up to 15 percent of the assessed value of all taxable property within the School District's boundaries. If the School District issues "qualified debt," i.e., debt backed by the State of Michigan, such obligations are not subject to this debt limit. The School District's outstanding qualified general obligation debt of approximately \$14.0 million is below this statutorily imposed limit.

Other obligations including accrued vacation pay and sick leave are reported as required by GASB. We present more detailed information about our long-term liabilities in Note D of the financial statements.

**Economic Factors and Next Year's Budgets and Rates**

Our elected officials and administration considered many factors when setting the School District's 2017/2018 fiscal year budgets. One of the most important factors affecting the budget is our student count. Another is the State foundation revenue which is determined by multiplying the blended student count by the foundation allowance per pupil. The blended count for the 2018 fiscal year will consist of 90% student count in October 2017 and 10% student count in February 2017. The 2017/2018 budget was adopted in June 2017, based on an estimated student enrollment of 1,568. Approximately 85% of total budgeted General Fund revenue is derived from the foundation allowance, including property taxes. Under State law, the School District cannot generate additional property tax revenue for general operations. As a result, district funding is heavily dependent on the State's ability to fund local school operations. Once the final student count and related per pupil funding is validated, State law requires the School District to amend the budget, if actual district resources are not sufficient to fund original appropriations.

Since the School District's revenue is heavily dependent on State funding and the health of the State's School Aid Fund, the actual revenue received depends on the State's ability to collect revenues to fund its appropriation to school districts. The State periodically holds a revenue-estimating conference to estimate revenues.

**Contacting the District's Management**

This financial report is intended to provide our taxpayers, parents, and investors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have any questions about this report or need additional information, we welcome you to contact the Business Office.

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## **BASIC FINANCIAL STATEMENTS**

Central Montcalm Public School  
STATEMENT OF NET POSITION  
June 30, 2017

	Governmental Activities
<b>ASSETS</b>	
Current assets	
Cash and cash equivalents	\$ 4,415,630
Investments	3,045,000
Receivables	190
Due from other governmental units	2,546,738
Prepays	111,513
Inventories	7,811
Total current assets	10,126,882
Noncurrent assets	
Capital assets not being depreciated	1,365,954
Capital assets, net of accumulated depreciation	20,144,030
Total noncurrent assets	21,509,984
<b>TOTAL ASSETS</b>	<b>31,636,866</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Deferred charges on refunding	256,271
Deferred outflows of resources related to pensions	4,088,864
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<b>4,345,135</b>
<b>LIABILITIES</b>	
Current liabilities	
Accounts payable	766,100
Accrued payroll	815,682
Accrued liabilities	358,698
Unearned revenue	46,014
Due to other governmental units	181,274
Accrued interest payable on long-term debt	86,207
Current portion of compensated absences	81,054
Current portion of long-term debt	1,707,546
Total current liabilities	4,042,575
Noncurrent liabilities	
Noncurrent portion of compensated absences	113,697
Noncurrent portion of long-term debt	14,118,004
Net pension liability	22,968,783
Total noncurrent liabilities	37,200,484
<b>TOTAL LIABILITIES</b>	<b>41,243,059</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Deferred inflows of resources related to pensions	793,048
<b>NET POSITION</b>	
Net investment in capital assets	9,984,163
Restricted for debt service	405,618
Unrestricted	(16,443,887)
<b>TOTAL NET POSITION</b>	<b>\$ (6,054,106)</b>

See accompanying notes to financial statements.

Central Montcalm Public School

STATEMENT OF ACTIVITIES

Year Ended June 30, 2017

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenues and Changes in Net Position Governmental Activities
		Charges for Services	Operating Grants and Contributions	
Governmental activities				
Instruction	\$ 9,870,922	\$ -	\$ 1,999,429	\$ (7,871,493)
Supporting services	5,414,754	35,359	382,800	(4,996,595)
Community service	1,531	71,284	-	69,753
Food service	829,368	175,740	674,097	20,469
Interest and costs on long-term debt	458,574	-	-	(458,574)
Unallocated depreciation	860,736	-	-	(860,736)
<b>TOTAL</b>	<b>\$ 17,435,885</b>	<b>\$ 282,383</b>	<b>\$ 3,056,326</b>	<b>(14,097,176)</b>
General revenues				
Property taxes				3,631,315
State school aid - unrestricted				11,595,019
Investment earnings				19,485
Miscellaneous				97,867
<b>TOTAL GENERAL REVENUES</b>				<b>15,343,686</b>
<b>CHANGE IN NET POSITION</b>				<b>1,246,510</b>
Net position, beginning of year				(7,300,616)
Net position, end of year				<b>\$ (6,054,106)</b>

See accompanying notes to financial statements.

Central Montcalm Public School

Governmental Funds

BALANCE SHEET

June 30, 2017

	General	2016 Capital Project	Nonmajor Governmental Funds	Total Governmental Funds
<b>ASSETS</b>				
Cash and cash equivalents	\$ 1,966,859	\$ 1,622,498	\$ 826,273	\$ 4,415,630
Investments	-	3,045,000	-	3,045,000
Interest receivable	-	-	190	190
Due from other governmental units	2,541,590	-	5,148	2,546,738
Due from other funds	-	103,121	-	103,121
Prepays	107,917	-	3,596	111,513
Inventories	-	-	7,811	7,811
<b>TOTAL ASSETS</b>	<b><u>\$ 4,616,366</u></b>	<b><u>\$ 4,770,619</u></b>	<b><u>\$ 843,018</u></b>	<b><u>\$ 10,230,003</u></b>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>LIABILITIES</b>				
Accounts payable	\$ 38,430	\$ 727,161	\$ 509	\$ 766,100
Accrued payroll	815,682	-	-	815,682
Accrued liabilities	358,698	-	-	358,698
Unearned revenue	46,014	-	-	46,014
Due to other funds	51,876	-	51,245	103,121
Due to other governmental units	181,274	-	-	181,274
<b>TOTAL LIABILITIES</b>	<b>1,491,974</b>	<b>727,161</b>	<b>51,754</b>	<b>2,270,889</b>
<b>FUND BALANCES</b>				
<b>Nonspendable</b>				
Prepays	107,917	-	3,596	111,513
<b>Restricted</b>				
Capital projects	-	4,043,458	-	4,043,458
Debt service	-	-	491,825	491,825
Food and nutrition	-	-	295,843	295,843
Assigned for subsequent years expenditures	398,946	-	-	398,946
Unassigned	2,617,529	-	-	2,617,529
<b>TOTAL FUND BALANCES</b>	<b><u>3,124,392</u></b>	<b><u>4,043,458</u></b>	<b><u>791,264</u></b>	<b><u>7,959,114</u></b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b><u>\$ 4,616,366</u></b>	<b><u>\$ 4,770,619</u></b>	<b><u>\$ 843,018</u></b>	<b><u>\$ 10,230,003</u></b>

See accompanying notes to financial statements.

Central Montcalm Public School

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

June 30, 2017

**Total fund balances - governmental funds** \$ 7,959,114

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

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

The cost of capital assets is	\$ 38,826,774	
Accumulated depreciation is	<u>(17,316,790)</u>	
		21,509,984

Governmental funds report the difference between the carrying amount of the defeased debt and its reacquisition price when debt is first issued, whereas these amounts are deferred and amortized in the government-wide statement of net position. These amounts consist of:

Deferred charges on refunding		256,271
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Governmental funds report actual pension expenditures for the fiscal year, whereas the governmental activities will recognize the net pension liability as of the measurement date. Pension contributions subsequent to the measurement date will be deferred in the statement of net position. In additions resources related to changes of assumptions, differences between expected and actual experience, and differences between projected and actual pension plan investment earnings will be deferred over time in the government-wide financial statements. These amounts consist of:

Deferred outflows of resources related to pensions	4,088,864	
Deferred inflows of resources related to pensions	<u>(793,048)</u>	
		3,295,816

Long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-term liabilities at year-end consist of:

Bonds and other long-term debt	(15,825,550)	
Accrued interest payable on long-term debt	(86,207)	
Compensated absences	(194,751)	
Net pension liability	<u>(22,968,783)</u>	
		<u>(39,075,291)</u>

**Net position of governmental activities** **\$ (6,054,106)**

Central Montcalm Public School

Governmental Funds

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

Year Ended June 30, 2017

	General	2016 Capital Project	Nonmajor Governmental Funds	Total Governmental Funds
<b>REVENUES</b>				
Local sources	\$ 1,814,341	\$ 12,011	\$ 2,192,686	\$ 4,019,038
State sources	13,067,610	-	56,273	13,123,883
Federal sources	652,627	-	617,824	1,270,451
<b>TOTAL REVENUES</b>	<b>15,534,578</b>	<b>12,011</b>	<b>2,866,783</b>	<b>18,413,372</b>
<b>EXPENDITURES</b>				
Current				
Instruction	9,784,478	-	-	9,784,478
Supporting services	5,686,435	-	-	5,686,435
Food service	-	-	821,804	821,804
Community service	1,531	-	-	1,531
Debt service	90,660	20,401	2,022,407	2,133,468
Capital outlay	-	1,353,152	-	1,353,152
<b>TOTAL EXPENDITURES</b>	<b>15,563,104</b>	<b>1,373,553</b>	<b>2,844,211</b>	<b>19,780,868</b>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(28,526)</b>	<b>(1,361,542)</b>	<b>22,572</b>	<b>(1,367,496)</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Proceeds from bond issuance	-	5,405,000	-	5,405,000
Other transactions	269,023	-	-	269,023
Transfers in	64,899	-	-	64,899
Transfers out	-	-	(64,899)	(64,899)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>333,922</b>	<b>5,405,000</b>	<b>(64,899)</b>	<b>5,674,023</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>305,396</b>	<b>4,043,458</b>	<b>(42,327)</b>	<b>4,306,527</b>
Fund balances, beginning of year	2,818,996	-	833,591	3,652,587
Fund balances, end of year	<u>\$ 3,124,392</u>	<u>\$ 4,043,458</u>	<u>\$ 791,264</u>	<u>\$ 7,959,114</u>

See accompanying notes to financial statements.

Central Montcalm Public School

RECONCILIATION OF THE CHANGE IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES

Year Ended June 30, 2017

**Net change in fund balances - total governmental funds** **\$ 4,306,527**

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

Capital outlays are reported as expenditures in governmental funds. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:

Capital outlay	\$ 1,677,172	
Depreciation expense	<u>(860,736)</u>	
Excess of capital outlay over depreciation expense		816,436

Repayments of long-term debt and borrowings of long-term debt are reported as expenditures and other financing sources in governmental funds, but the repayment reduces long-term liabilities and the borrowings increase long-term liabilities in the statement of net position. Also, governmental funds report the effect of issuance premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. In the current year, these amounts consisted of:

Issuance of debt	(5,405,000)	
Amortization of deferred charges	(21,356)	
Amortization of issuance premium	117,546	
Debt principal retirement	<u>1,585,000</u>	
Excess of issuance and other debt related items over principal retirements		(3,723,810)

Some items reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. These activities consist of:

(Increase) in net pension liability	(1,753,329)	
Change in deferred outflows of resources related to pensions	1,853,633	
Change in deferred inflows of resources related to pensions	(250,264)	
(Increase) in accrued interest payable on long-term debt	(6,296)	
Decrease in compensated absences	<u>3,613</u>	
		<u>(152,643)</u>

**Change in net position of governmental activities** **\$ 1,246,510**

Central Montcalm Public School

Fiduciary Fund

STATEMENT OF ASSETS AND LIABILITIES

June 30, 2017

	<u>Agency Fund</u>
ASSETS	
Cash	<u>\$ 204,873</u>
LIABILITIES	
Due to student activities	\$ 183,355
Due to others	<u>21,518</u>
TOTAL LIABILITIES	<u>\$ 204,873</u>

See accompanying notes to financial statements.

Central Montcalm Public School  
NOTES TO FINANCIAL STATEMENTS

June 30, 2017

**NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

1. Reporting Entity

As required by accounting principles generally accepted in the United States of America, these financial statements present all financial activities of Central Montcalm Public School. The District has no activities that would be classified as component units.

Based upon the application of these criteria, the financial statements of the District contain all the funds controlled by the District.

2. Basis of Presentation

DISTRICT-WIDE FINANCIAL STATEMENTS

The statement of net position and the statement of activities (the district-wide statements) present information for the district as a whole. All non-fiduciary activities of the District are included (i.e., fiduciary fund activities are not included in the district-wide statements). Interfund activity has been eliminated in the preparation of the district-wide financial statements.

The statement of activities presents the direct functional expenses of the District and the program revenues that support them. Direct expenses are specifically associated with a service, program, or department and are therefore clearly identifiable to a particular function. Program revenues are associated with specific functions and include charges to recipients of goods or services and grants and contributions that are restricted to meeting the operational or capital requirements of that function. Revenues that are not required to be presented as program revenues are general revenues. This includes all taxes, interest, and unrestricted State aid payments and other general revenues and shows how governmental functions are either self-financing or supported by the general revenues of the District.

FUND FINANCIAL STATEMENTS

The District uses funds to maintain its financial records during the year. A fund is defined as a fiscal accounting entity with a self-balancing set of accounts. The District utilizes governmental and fiduciary funds.

The governmental fund financial statements present the District's major funds and aggregated nonmajor funds. A separate column is shown for each major fund on the balance sheet and statement of revenues, expenditures, and changes in fund balances. Nonmajor funds are combined and shown in a single column. Fiduciary funds are reported by type.

The major governmental funds of the District are:

- a. General Fund - The General Fund is used to account for money or other resources provided to the District to support the educational programs and general operations of the District.
- b. 2016 Capital Projects Fund - The 2016 Capital Projects Fund is used to account for bond proceeds and construction costs related to the issuance of the 2016 Building and Site Bonds.

Central Montcalm Public School  
NOTES TO FINANCIAL STATEMENTS

June 30, 2017

**NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

3. Measurement Focus

The district-wide financial statements are presented using the economic resources measurement focus, similar to that used by business enterprises or not-for-profit organizations. Because another measurement focus is used in the governmental fund financial statements, reconciliations to the district-wide statements are provided that explain the differences in detail.

All governmental funds are presented using the current financial resources measurement focus. With this measurement focus, only current assets, deferred outflows of resources, current liabilities, and deferred inflows of resources generally are included on the balance sheet, when applicable. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in fund balance.

There is no measurement focus for the fiduciary agency fund since assets equal liabilities.

4. Basis of Accounting

Basis of accounting refers to the timing under which transactions are recognized for financial reporting purposes. Governmental fund financial statements use the modified accrual basis of accounting. The district-wide and fiduciary fund financial statements are prepared using the accrual basis of accounting.

Under the accrual basis of accounting, revenue is recorded in the period in which it is earned and expenses are recorded when incurred, regardless of the timing of related cash flows. Property tax revenue is recognized in the fiscal year for which it is levied. Revenues for grants, entitlements, and donations are recognized when all eligibility requirements imposed by the provider have been met. Unearned revenue is recorded when resources are received by the District before it has legal claim to them, such as when grant monies are received prior to the incurrence of qualified expenses.

Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected with 60 days of the end of the current period. Revenues susceptible to accrual include property taxes, state and federal aid, and interest revenue. Other revenues are not susceptible to accrual because generally they are not measurable until received in cash. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt which are recorded when due.

If/when both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

5. Budgets and Budgetary 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. All unexpended appropriations lapse at fiscal year end.

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

- a. The Superintendent submits to the School Board a proposed operating budget for the fiscal year commencing on July 1. The operating budget includes proposed expenditures and the means for financing them.

Central Montcalm Public School  
NOTES TO FINANCIAL STATEMENTS

June 30, 2017

**NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

5. Budgets and Budgetary Accounting - continued

- b. Public hearings are conducted to obtain taxpayer comments.
- c. Prior to July 1, the budget is legally adopted by School Board resolution pursuant to the Uniform Budgeting and Accounting Act (P.A. 621 of 1978). The Act requires that the budget be amended prior to the end of the fiscal year when necessary to adjust appropriations if it appears that revenues and other financing sources will not be in excess of original estimates. Expenditures shall not be made or incurred, unless authorized in the budget, in excess of the amounts appropriated.
- d. The budgets are legally adopted at the functional level; however, they are maintained at the object level for control purposes. Any revisions that alter the total expenditures at the functional level must be approved by the School Board.
- e. Formal budgetary integration is employed as a management control device during the year for the General and Special Revenue Funds.
- f. The budget, as presented, has been amended in a legally permissible manner. Supplemental appropriations were made during the year with the final amendments being approved June 26, 2017.

6. Cash, Cash Equivalents, and Investments

Cash and cash equivalents consist of checking accounts, cash on hand, and pooled investments with an original maturity of ninety (90) days or less. Investments consist of pooled investments with original maturities of greater than 90 days. Cash equivalents and investments are recorded at fair value.

7. Short-term Interfund Receivables/Payables

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "due from other funds" and "due to other funds" on the governmental funds balance sheet.

8. Due From Other Governmental Units

Due from other governmental units consists of various amounts owed to the District for grant programs and State Aid payments. The State of Michigan's funding stream of State Aid payments results in the final two (2) payments, related to the fiscal year ended June 30, 2017, to be paid in July and August 2017. The total amount of \$2,546,738 due from other governmental units consists of \$2,298,417 and \$248,321 related to State Aid and grant and local programs, respectively.

9. Inventories

Inventories are stated at cost on a first in/first out basis. The Food Service Fund inventory consists of food and miscellaneous paper goods. Inventory that will be sold, rather than used in providing services (i.e., food in the Food Service Fund), and for which the proceeds from the sales are restricted for food service activities are not classified as "nonspendable" but instead are reflected as a component of restricted fund balance in accordance with GASB Statement No. 54. The General Fund inventory consists of paper goods. Inventory amounts are equally offset by a fund balance "nonspendable" designation which indicates that they do not constitute "available spendable resources" even though they are a component of fund balance.

Central Montcalm Public School  
NOTES TO FINANCIAL STATEMENTS

June 30, 2017

**NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

10. Capital Assets

Capital assets include land, buildings and building improvements, furniture and equipment, and buses and other vehicles and are recorded (net of accumulated depreciation, if applicable) in the district-wide financial statements. Capital assets are those with an initial individual cost greater than \$5,000 and an estimated useful life of more than five (5) years. Capital assets are not recorded in the governmental funds. Instead, capital acquisition and construction are reflected as expenditures in governmental funds, and the related assets are reported in the district-wide financial statements. All purchased capital assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated capital assets are valued at their estimated fair market value on the date received.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Depreciation is computed using the straight-line method over the following useful lives:

Buildings and building improvements	20-50 years
Buses and other vehicles	5-10 years
Furniture and equipment	5-20 years

11. Compensated Absences

Based on the requirements of GASB Statement No. 16, *Accounting for Compensated Absences*, the District has recorded all liabilities associated with compensated absences. Accumulated vested severance amounts and nonvested severance amounts that are probable to vest and be paid at termination are considered payable from future resources and are recorded along with the related payroll taxes as a long-term liability in the district-wide financial statements.

12. Deferred Outflows/Inflows of Resources

In addition to assets and liabilities, the statement of financial position or balance sheet will, when applicable, report separate sections for deferred outflows of resources and deferred inflows of resources. *Deferred outflows of resources*, a separate financial statement element, represents a consumption of net position or fund balance, respectively, that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until that time. *Deferred inflows of resources*, a separate financial statement element, represents an acquisition of net position or fund balance, respectively, that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time.

The District has several items that qualify for reporting in these categories and are reported in the district-wide financial statement of net position. These items relate to the District's net pension liability and deferred charges on refunding. The net pension liability related amounts are for differences between expected and actual experience, changes in assumptions, differences between projected and actual pension plan investment earnings, State aid related to pensions, and contributions made subsequent to the measurement date. The deferred charges on refunding amounts result from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. These amounts are deferred and recognized as an outflow or inflow of resources in the period to which they apply.

13. Unearned Revenue

The unexpended balance of certain state aid amounts are carried forward as unearned revenue in governmental funds until the period in which eligible expenditures are incurred. Amounts shown as unearned revenue on the Statement of Net Position relate to the same state aid amounts and are shown here because they are not earned.

Central Montcalm Public School  
NOTES TO FINANCIAL STATEMENTS

June 30, 2017

**NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

14. Accrued Interest Payable

Accrued interest is presented for long-term obligations in the district-wide statements as a current liability under the appropriate heading.

15. Short-Term Note Obligations

Short-term debt is recognized as a liability of a governmental fund and is included on the balance sheet of the applicable fund. During the current year the District borrowed funds to meet short-term cash flow borrowing needs. The final payment is due and payable in August 2017 and anticipated State Aid along with cash on hand is expected to be sufficient to cover this commitment.

16. Long-term Obligations

Long-term debt is recognized as a liability in the district-wide statements when incurred. The portion of those liabilities expected to be paid within the next year is a current liability with the remaining amounts shown as noncurrent.

Long-term debt is recognized as a liability of a governmental fund when due or when resources have been accumulated in the Debt Service Funds for payment early in the following year. For other long-term obligations, only that portion expected to be financed from expendable available financial resources is reported as a fund liability of a governmental fund.

17. Net Pension Liability

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.

18. Property Taxes

Property taxes levied by the District are collected by various municipalities and periodically remitted to the District. The taxes are levied as of December 1 and are due upon receipt of the billing by the taxpayer. The actual due date is February 14, after which time the bills become delinquent and penalties and interest may be assessed by the collecting entity. School District property tax revenues are recognized when levied.

The District levies taxes of \$18.00 per \$1,000 of taxable valuation on most nonprimary residency exempt property and \$6.00 per \$1,000 of taxable valuation on commercial personal property for general governmental services and \$7.00 per \$1,000 of taxable valuation on the total applicable taxable valuation of all property within the District for debt service. The District is also permitted to levy additional amounts for enhancement and/or debt service if voter approval is obtained. Total 2016 taxable value of the District, which was used for the basis of the tax revenue for the General and applicable Debt Service Funds, was \$286,719,844.

19. State Foundation Revenue

Beginning with the fiscal year ended June 30, 1995, the State of Michigan adopted a foundation grant approach, which provides for a specific annual amount of revenue per student based on a state-wide formula. Prior to the fiscal year ended June 30, 1995, the State utilized a district power equalizing approach. 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.

Central Montcalm Public School  
NOTES TO FINANCIAL STATEMENTS

June 30, 2017

**NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

19. State Foundation Revenue - continued

For the year ended June 30, 2017, the foundation allowance was based on the average of pupil membership counts taken in September 2016 and February 2016. The average calculation was weighted 90% for the September 2016 count and 10% for the February 2016 count. 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 nonhomestead property taxes which may be levied at a rate of up to 18 mills. The State revenue is recognized during the foundation period (currently the fiscal year) and is funded through nine (9) payments made during the year and two (2) payments made subsequent to year-end. The local revenue is recognized as outlined above under Property Taxes.

20. State Categorical Revenue

The District also receives revenue from the State to administer certain categorical education programs. State rules require that revenue earmarked for these programs be expended for its specific purpose. Categorical funds received which are not expended by the close of the fiscal year are recorded as unearned revenue.

21. Interfund Transactions

Transactions that constitute reimbursements to a fund for expenditures initially made from it that are properly applicable to another fund are recorded as expenditures in the reimbursing fund and as reductions of expenditures in the fund that is reimbursed. Transfers of resources to other funds are recorded as operating transfers. Transfers are netted as part of the reconciliation to the district-wide financial statements.

22. Federal Programs

Federal programs are accounted for in the General Fund and specific Special Revenue Funds. The District has not integrated its Single Audit reports and financial data as part of the financial statements. The Single Audit reports and financial data will be issued under separate cover as supplementary information to the financial statements.

23. Comparative Data

Comparative data for the prior year has not been presented in the basic financial statements since their inclusion would make the statements unduly complex and difficult to read.

**NOTE B: DEPOSITS**

In accordance with Michigan Public Act 451 of 1976, Section 1223(1), as amended, the District is authorized to invest its surplus funds in the following types of investments:

1. Bonds, bills, or notes of the United States; obligations, the principal and interest of which are fully guaranteed by the United States; or obligations of the State.
2. Certificates of deposit issued by a State or national bank, savings accounts of a State or Federal savings and loan association, or certificates of deposit or share certificates of a State or Federal credit union organized and authorized to operate in this State.
3. Commercial paper rated prime at the time of purchase and maturing not more than 270 days after the date of purchase.
4. Securities issued or guaranteed by agencies or instrumentalities of the United States government.
5. United States government or federal agency obligation repurchase agreements.

Central Montcalm Public School  
NOTES TO FINANCIAL STATEMENTS

June 30, 2017

**NOTE B: DEPOSITS - CONTINUED**

6. Bankers' acceptances issued by a bank that is a member of the Federal Depository Insurance Corporation.
7. Mutual funds composed entirely of investment vehicles that are legal for direct investment by a School District.
8. Investment pools, as authorized by the Surplus Funds Investment Pool Act, Act No. 367 of the Public Acts of 1982, being sections 129.111 to 129.118 of the Michigan Compiled Laws, composed entirely of instruments that are legal for direct investment by a School District.

Michigan Public Acts authorize school districts in Michigan to deposit in the accounts of federally insured banks, credit unions, and savings and loan associations. Deposits of the District are at federally insured banks and credit unions in the State of Michigan in the name of the School District.

Deposits

There is custodial credit risk as it relates to deposits. In the case of deposits, this is the risk that in the event of a bank failure, the District's deposits may not be returned to it. As of June 30, 2017, the carrying amount of the District's deposits was \$2,997,598 and the bank balance was \$3,220,249, of which \$500,000 was insured by the Federal Depository Insurance Corporation. The balance of \$2,720,249 was uninsured and uncollateralized. The District had \$399 of cash on hand at year end.

Fair Value Measurements

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. A fair value hierarchy is also established which requires an entity to maximize the use of observable and minimize the use of unobservable inputs. There are three (3) levels of inputs that may be used to measure fair value:

- Level 1: Quoted prices in active markets for identical securities.
- Level 2: Prices determined using other significant observable inputs. Observable inputs are inputs that other market participants may use in pricing a security. These may include quoted prices for similar securities, interest rates, prepayment speeds, credit risk and others.
- Level 3: Prices determined using significant unobservable inputs. Unobservable inputs may be used 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 reflect the organization's own assumptions about the factors market participants would use in pricing an investment, and would be based on the best information available.

Investments

Following is a description of the valuation methodologies used for instruments measured at fair value on a recurring basis and recognized in the accompanying consolidated financial statements, as well as the general classification of such instruments pursuant to the valuation hierarchy.

The District participates in the following Michigan Liquid Asset Fund (MILAF) portfolios: Michigan Liquid Asset Fund Plus (MILAF+) Portfolio and the Michigan Term Portfolio. These portfolio securities are valued at amortized cost, which approximates market value. The amortized cost method involves valuing a security at its cost on the date of purchase and recording a constant amortization or accretion to maturity of any discount or premium. It is MILAF's policy to compare amortized cost and fair values of the securities periodically throughout each month and as of the last business day of each month. Fair value is determined by reference to quoted market prices. MILAF's annual financial statement may be obtained at [www.milaf.org](http://www.milaf.org). As of June 30, 2017, the District has \$1,622,506 invested with MILAF+, and \$3,045,000 invested in Michigan Term.

Central Montcalm Public School  
 NOTES TO FINANCIAL STATEMENTS

June 30, 2017

**NOTE B: DEPOSITS - CONTINUED**

Investments - continued

MILAF+ and Michigan Term portfolio investments are assigned a level based upon the observability of the inputs which are significant to the overall valuation. The inputs or methodology used for valuing securities are not necessarily an indication of the risk associated with investing in those securities. Money market securities are valued using amortized cost, as outlined in GASB Statement No. 79, *Certain External Investment Pools and Pool Participants*. Generally, amortized cost approximates the current fair value of a security, but since the value is not obtained from a quoted price in an active market, such securities held by the MILAF+ Portfolio and Michigan Term are categorized as Level 2.

Credit Risk

State law limits investments in certain types of investments to a prime or better rating issue by nationally recognized statistical rating organizations (NRSRO'S). As of June 30, 2017, they had no investments that were subject to ratings.

Interest Rate Risk

The District has adopted a policy that indicates how 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 limiting the weighted average maturity of its investment portfolio to less than a given period of time.

Concentration of Credit Risk

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

Custodial Credit Risk

The District has adopted a policy that indicates how the District will minimize custodial credit risk. Custodial credit risk is the risk of loss due to the failure of the security issuer or backer. The Board policy limits investments to the types of securities authorized by the Board and pre-qualifying the financial institutions, broker/dealers, intermediaries and advisors with which the District will do business in accordance with the Board approved policy.

As of June 30, 2017, the cash and cash equivalents and investments referred to above have been reported in the cash and cash equivalents and investments captions in the basic financial statements as follows:

	Governmental Activities	Fiduciary Fund	Total
Cash and cash equivalents	\$ 4,415,630	\$ 204,873	\$ 4,620,503
Investments	3,045,000	-	3,045,000
	\$ 7,460,630	\$ 204,873	\$ 7,665,503

Central Montcalm Public School  
NOTES TO FINANCIAL STATEMENTS

June 30, 2017

**NOTE C: CAPITAL ASSETS**

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

	Balance July 1, 2016	Additions	Deletions	Balance June 30, 2017
Capital assets not being depreciated				
Land	\$ 12,802	\$ -	\$ -	\$ 12,802
Construction in progress	-	1,353,152	-	1,353,152
<b>Total capital assets not being depreciated</b>	<b>12,802</b>	<b>1,353,152</b>	<b>-0-</b>	<b>1,365,954</b>
Capital assets being depreciated				
Buildings and building improvements	31,514,912	-	-	31,514,912
Buses and other vehicles	1,356,125	59,067	(185,049)	1,230,143
Furniture and equipment	4,836,240	264,953	(385,428)	4,715,765
<b>Total capital assets being depreciated</b>	<b>37,707,277</b>	<b>324,020</b>	<b>(570,477)</b>	<b>37,460,820</b>
Less accumulated depreciation for:				
Buildings and building improvements	(11,533,227)	(630,132)	-	(12,163,359)
Buses and other vehicles	(1,064,560)	(85,141)	170,989	(978,712)
Furniture and equipment	(4,428,744)	(119,053)	373,078	(4,174,719)
<b>Total accumulated depreciation</b>	<b>(17,026,531)</b>	<b>(834,326)</b>	<b>544,067</b>	<b>(17,316,790)</b>
<b>Net capital assets being depreciated</b>	<b>20,680,746</b>	<b>(510,306)</b>	<b>(26,410)</b>	<b>20,144,030</b>
<b>Capital assets, net</b>	<b>\$ 20,693,548</b>	<b>\$ 842,846</b>	<b>\$ (26,410)</b>	<b>\$ 21,509,984</b>

Depreciation expense was not allocated to governmental functions. It appears on the statement of activities as "unallocated". The current depreciation expense in the Governmental Activities of \$834,326 has been adjusted by \$26,410 for the disposal of capital assets during the year, in accordance with GASB Statement No. 34 implementation guide states that immaterial losses may be handled as an adjustment to the current period's depreciation expense.

**NOTE D: LONG-TERM DEBT**

The following is a summary of changes in long-term debt obligations of the District for the year ended June 30, 2017:

	Balance July 1, 2016	Additions	Deletions	Balance June 30, 2017	Amounts Due within One Year
2010 Installment Purchase Agreement - Energy	\$ 450,000	\$ -	\$ (75,000)	\$ 375,000	\$ 75,000
2012 Refunding Bonds	655,000	-	(555,000)	100,000	100,000
2015 Refunding Bonds	9,490,000	-	(855,000)	8,635,000	835,000
2016 Building and Site Bonds	-	5,405,000	(100,000)	5,305,000	580,000
Capitalized bond premium	1,528,096	-	(117,546)	1,410,550	117,546
Compensated absences	198,364	105,689	(109,302)	194,751	81,054
	<b>\$ 12,321,460</b>	<b>\$ 5,510,689</b>	<b>\$ (1,811,848)</b>	<b>\$ 16,020,301</b>	<b>\$ 1,788,600</b>

Central Montcalm Public School  
NOTES TO FINANCIAL STATEMENTS

June 30, 2017

**NOTE D: LONG-TERM DEBT - CONTINUED**

Significant details regarding outstanding long-term debt (including current portions) are presented below:

General Obligation Bonds

\$1,930,000 2012 Refunding Bonds dated September 12, 2012, due in an annual installment of \$100,000 on May 1, 2018, with interest of 2.20 percent, payable semi-annually.	\$ 100,000
\$10,460,000 2015 Refunding Bonds dated February 10, 2015, due in annual installments ranging from \$590,000 to \$835,000 through May 1, 2029, with interest ranging from 4.00 to 5.00 percent, payable semi-annually.	8,635,000
\$5,405,000 2016 Building and Site Bonds dated October 18, 2016, due in annual installments ranging from \$155,000 to \$830,000 through May 1, 2025, with interest ranging from 1.05 to 2.25 percent, payable semi-annually.	<u>5,305,000</u>
	<u>\$ 14,040,000</u>

Installment Purchase Agreement

\$900,000 Energy Installment Purchase Agreement dated July 1, 2010, due in annual installments of \$75,000 through May 1, 2022, with interest of 3.48 percent, payable semi-annually.	<u>\$ 375,000</u>
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Compensated Absences - In accordance with District personnel policies and/or contracts negotiated with various employee groups of the District, individual employees have vested rights upon termination of employment to receive payment for unused vacation and sick leave under formulas and conditions specified in their respective personnel policies and/or contracts:

Teachers will be paid for a maximum of 145 unused sick days based on years of service at a range of \$40 - \$50 per unused sick day accumulated.

All other non-union support staff will be paid \$30 per unused sick day accumulated with a maximum of 145 days.

The superintendent's, administrators', and other union exempt employees' maximum sick and vacation pay is based on individual agreements.

Under GASB Statement No. 16 requirements, the District has elected to implement the "vesting" method of calculating the compensated absences liability. The amounts accumulated for all employees currently vested are calculated along with an amount for other employees who currently are not vested but are probable to vest in future years. The amounts for employees who currently are not vested are calculated taking total unused sick pay amounts at June 30, 2017, for all nonvested employees and multiplying it by a historical termination percentage. This percentage is based on an estimate of the percentage of employees who have terminated employment fully vested in the past five (5) years.

Central Montcalm Public School

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

**NOTE D: LONG-TERM DEBT - CONTINUED**

A summary of the calculated amounts of compensated absences and related payroll taxes as of June 30, 2017, which has been recorded in the district-wide financial statements, is as follows:

	Vested Employees	Nonvested Employees	Total
Compensated absences	\$ 125,338	\$ 55,573	\$ 180,911
Payroll taxes	9,589	4,251	13,840
	<u>\$ 134,927</u>	<u>\$ 59,824</u>	<u>\$ 194,751</u>

The annual requirements to pay the debt principal and interest outstanding for the Long-Term Debt are as follows:

Year Ending June 30,	General Obligation Bonds		Installment Purchase Agreement	
	Principal	Interest	Principal	Interest
2018	\$ 1,515,000	\$ 504,195	\$ 75,000	\$ 13,050
2019	1,570,000	462,405	75,000	10,440
2020	1,635,000	420,325	75,000	7,830
2021	1,420,000	368,455	75,000	5,220
2022	1,510,000	319,385	75,000	2,610
2023-2027	5,190,000	861,560	-	-
2028-2029	1,200,000	89,500	-	-
	<u>\$ 14,040,000</u>	<u>\$ 3,025,825</u>	<u>\$ 375,000</u>	<u>\$ 39,150</u>

Advance Refunding - Prior

On February 10, 2015, the District defeased the portion of the 2005 Refunding Bonds which were due and payable May 1, 2016 through May 1, 2029. This was accomplished by establishing an irrevocable trust with an escrow agent composed of cash and U.S. Government Securities sufficient to meet the applicable principal and interest payments. The District issued General Obligation 2015 Refunding Bonds in the amount of \$10,460,000 to provide resources to fund the escrow amounts and pay the costs of issuance of the refunding bonds. Accordingly, the trust account assets and liabilities for the defeased bonds are not included in the District's financial statements. At June 30, 2017, bonds due and payable May 1, 2018 through May 1, 2029, for the 2005 Refunding Bonds in the amount of \$10,185,000 are considered defeased.

**NOTE E: INTERFUND RECEIVABLES AND PAYABLES**

The amount of interfund receivables and payables at June 30, 2017, are as follows:

Due to 2016 Capital Projects Fund from:	
General Fund	\$ 51,876
Nonmajor governmental funds	<u>51,245</u>
	<u>\$ 103,121</u>

Central Montcalm Public School  
NOTES TO FINANCIAL STATEMENTS

June 30, 2017

**NOTE E: INTERFUND RECEIVABLES AND PAYABLES - CONTINUED**

Amounts appearing as interfund payables and receivables arise from two types of transactions. One type of transaction is where a fund will pay for a good or service that at least a portion of the benefit belongs to another fund. The second type of transaction is where one fund provides a good or service to another fund. Balances at the end of the year are for transfers that have not cleared as of the balance sheet date.

**NOTE F: INTERFUND TRANSFERS**

Permanent reallocation of resources between funds of the reporting entity is classified as interfund transfers. For the purpose of the statement of activities, all interfund transfers between individual governmental funds have been eliminated.

Transfer to General Fund from:	
Nonmajor governmental funds	<u><u>\$ 64,899</u></u>

The transfer from the nonmajor governmental fund to the General Fund was to reimburse the General Fund for expenses incurred during the year.

**NOTE G: OPERATING LEASE**

The District entered into a noncancellable operating lease for office equipment in November 2013. Lease expense for the year ended June 30, 2017 was \$55,354.

Future minimum lease payments under the noncancellable operating lease are as follows:

Year Ending June 30,	
2018	\$ 44,075
2019	<u>14,690</u>
	<u><u>\$ 58,765</u></u>

**NOTE H: EMPLOYEE RETIREMENT SYSTEM**

PLAN DESCRIPTION

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

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

The System's financial statements are available at [www.michigan.gov/mpsers-cafr](http://www.michigan.gov/mpsers-cafr).

Central Montcalm Public School  
NOTES TO FINANCIAL STATEMENTS

June 30, 2017

**NOTE H: EMPLOYEE RETIREMENT SYSTEM - CONTINUED**

**BENEFITS PROVIDED**

Benefit provisions of the defined benefit pension plan are established by State statute, which may be amended. Public Act 300 of 1980, as amended, establishes eligibility and benefit provisions for the defined benefit (DB) pension plan. Depending on the plan option selected, member retirement benefits for 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 member plan member who leaves Michigan public school employment may request a refund of his or her member contributions to the retirement system account if applicable. A refund cancels a former member's rights to future benefits. However, returning members who previously received a refund of their contributions may reinstate their service through repayment of the refund upon satisfaction of certain requirements.

**CONTRIBUTIONS AND FUNDED STATUS**

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

Employer contributions to the System are determined on an actuarial basis using the entry age normal actuarial cost method. Under this method, the actuarial present value of the projected benefits of each individual included in the actuarial valuation is allocated on a level basis over the service of the individual between entry age and assumed exit age. The portion of this cost allocated to the current valuation year is called the normal cost. The remainder is called the actuarial accrued liability. Normal cost is funded on a current basis. The unfunded (overfunded) actuarial accrued liability as of the September 30, 2016, valuation will be amortized over a 20-year period for ORS' 2016 fiscal year.

The schedule below summarizes pension contribution rates in effect for ORS' 2016 fiscal year.

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 Plus	3.0 - 6.4	17.73
Defined Contribution	0.0	14.56

Required contributions to the pension plan from the District were \$2,067,306 for the year ended September 30, 2016.

**NET PENSION LIABILITY - NON-UNIVERSITY**

Measurement of the MPSERS Net Pension Liability

The plan's net pension liability is to be measured as the total pension liability, less the amount of the pension plan's fiduciary net position. In actuarial terms, this will be the accrued liability less the market value of assets (not the smoothed actuarial value of assets that is often encountered in actuarial valuations performed to determine the employer's contribution requirement).

Central Montcalm Public School  
NOTES TO FINANCIAL STATEMENTS

June 30, 2017

**NOTE H: EMPLOYEE RETIREMENT SYSTEM - CONTINUED**

NET PENSION LIABILITY - NON-UNIVERSITY - CONTINUED

MPSERS (Plan) Net Pension Liability - Non-University  
As of September 30, 2016

Total Pension Liability	\$	67,917,445,078
Plan Fiduciary Net Position		42,968,263,308
Net Pension Liability	\$	24,949,181,770
Plan Fiduciary Net Position as a Percentage of Total Pension Liability		63.27%
Net Pension Liability as a percentage of Covered-Employee Payroll		295.81%

Actuarial Assumptions

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

Additional information as of the latest actuarial valuation follows:

Valuation Date:	September 30, 2015
Actuarial Cost Method:	Entry Age, Normal
Wage Inflation Rate:	3.5%
Investment Rate of Return	
- MIP and Basic Plans (Non-Hybrid):	8.0%
- Pension Plus Plan (Hybrid):	7.0%
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 Combined Healthy Life Mortality Tables, adjusted for mortality improvements to 2025 using projection scale BB. 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. This assumption was first used for the September 30, 2014, valuation of the System.

Long-Term Expected Return on Plan Assets

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

Central Montcalm Public School  
NOTES TO FINANCIAL STATEMENTS

June 30, 2017

**NOTE H: EMPLOYEE RETIREMENT SYSTEM - CONTINUED**

NET PENSION LIABILITY - NON-UNIVERSITY - CONTINUED

Long-Term Expected Return on Plan Assets - continued

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>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return*</u>
Domestic Equity Pools	28.0 %	5.9 %
% Alternative Investment Pools	18.0	9.2
International Equity	16.0	7.2
Fixed Income Pools	10.5	0.9
Real Estate and Infrastructure Pools	10.0	4.3
Absolute Return Pools	15.5	6.0
Short Term Investment Pools	2.0	0.0
Total	<u>100 %</u>	

\*Long term rate of return 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 provided through non-university employers only). 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 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% (7.0% for the Hybrid 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 higher:

<u>1% Decrease (Non-Hybrid/Hybrid) 7.0% / 6.0%</u>	<u>Current Single Discount Rate Assumption (Non-Hybrid/Hybrid) 8.0% / 7.0%</u>	<u>1% Increase (Non-Hybrid/Hybrid) 9.0% / 8.0%</u>
\$ 29,578,011	\$ 22,968,783	\$ 17,396,568

Central Montcalm Public School  
NOTES TO FINANCIAL STATEMENTS

June 30, 2017

**NOTE H: EMPLOYEE RETIREMENT SYSTEM - CONTINUED**

NET PENSION LIABILITY - NON-UNIVERSITY - CONTINUED

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

At June 30, 2017, the District reported a liability of \$22,968,783 for its proportionate share of the MPSERS 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 rolled forward from September 2015. The District's proportion of the net pension liability was determined by dividing each employer's statutorily required pension contributions to the system during the measurement period by the percent of pension contributions required from all applicable employers during the measurement period. At September 30, 2016, the District's proportion was 0.09206227 percent, which was an increase of approximately .0052 percent from its proportion measured as of September 30, 2015.

PENSION LIABILITIES, PENSION EXPENSE, AND DEFERRED OUTFLOWS OF RESOURCES, AND DEFERRED INFLOWS OF RESOURCES RELATED TO PENSIONS

For the year ended June 30, 2017, the District recognized total pension expense of \$2,467,096. 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	\$ 286,252	\$ 54,437
Changes of assumptions	359,099	-
Net difference between projected and actual earnings on pension plan investments	381,741	-
Changes in proportion and differences between Central Montcalm Public School's contributions and proportionate share of contributions	1,008,348	13,390
State aid related to pensions	-	725,221
Central Montcalm Public School's contributions subsequent to the measurement date	<u>2,053,424</u>	<u>-</u>
Total	<u>\$ 4,088,864</u>	<u>\$ 793,048</u>

\$2,053,424 reported as deferred outflows of resources related to pensions resulting from employer contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. \$725,221 reported as deferred inflows of resources under the caption "State Aid related to pensions" will be recognized as an increase to State Aid revenue in the year ended June 30, 2018.

Central Montcalm Public School  
NOTES TO FINANCIAL STATEMENTS

June 30, 2017

**NOTE H: EMPLOYEE RETIREMENT SYSTEM - CONTINUED**

**PENSION LIABILITIES, PENSION EXPENSE, AND DEFERRED OUTFLOWS OF RESOURCES, AND DEFERRED INFLOWS OF RESOURCES RELATED TO PENSIONS - CONTINUED**

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

<u>Year Ending September 30,</u>	<u>Amount</u>
2017	\$ 458,762
2018	428,741
2019	826,310
2020	253,800

**DEFINED CONTRIBUTION PLAN**

Benefit provisions of MPSERS also require the District to contribute to a defined contribution tax-deferred investment account for all eligible employees. The District is required to contribute 50% of an employee's contributions up to 1% of an employee's salary. The retirement benefits are determined by the final average compensation and years of service with disability and survivor benefits available to members. The District contribution for the year ended June 30, 2017 was \$17,014.

**NOTE I: OTHER POST-EMPLOYMENT BENEFITS**

**PLAN DESCRIPTION**

The Michigan Public School Employees' Retirement System (MPSERS) 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. MPSERS issues a publicly available Comprehensive Annual Financial Report that can be obtained at <http://michigan.gov/orsschools/0,1607,7-206-36585---,00.html>.

Under the MPSERS Act, all retirees participating in the MPSERS pension plan have the option of continuing health, dental, and vision coverage through MPSERS. Retirees electing this coverage contribute an amount equivalent to the monthly cost for Part B Medicare and 10.0 percent of the monthly premium amount for the health, dental, and vision coverage at the time of receiving the benefits. The MPSERS board of trustees annually sets the employer contribution rate to fund the benefits on a pay-as-you-go basis. Participating employers are required to contribute at that rate.

Contribution rates for the year ended June 30, 2017, are as follows:

	<u>Health Contribution Rate</u>	
	<u>Basic/MIP</u>	<u>Pension Plus</u>
July 1, 2016 - September 30, 2016	6.40 - 6.83%	6.40 - 6.83%
October 1, 2016 - June 30, 2017	5.69 - 5.91%	5.69 - 5.91%

Central Montcalm Public School  
NOTES TO FINANCIAL STATEMENTS

June 30, 2017

**NOTE I: OTHER POST-EMPLOYMENT BENEFITS - CONTINUED**

PLAN DESCRIPTION - CONTINUED

The District's required and actual contributions to the various plans for the last three fiscal years are as follows:

Fiscal Year Ending June 30,	Defined Benefit Plan	Defined Contribution Plan	
	Employer Health Contributions	Employer Contributions	Employee Contributions
2017	\$ 540,714	\$ 24,051	\$ 24,051
2016	449,238	17,366	17,366
2015	249,791	12,603	12,602

**NOTE J: RISK MANAGEMENT**

The District participates in a pool, the MASB-SEG Property and Casualty Pool with other school districts for property, fleet, liability, in-land marine, crime, garage, data breach, terrorism and school violent acts, boiler and machinery, equipment, errors and omissions, and employee dishonesty insurance coverage. The pool is organized under Public Act 138 of 1982, as amended as a governmental group property and casualty self-insurance pool. In the event the pool's claims and expenses 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.

The District also participates in a pool, the SEG Self-Insurer Workers' Disability Compensation Fund, with other school districts for workers' compensation losses. The pool is organized under Public Act 317 of 1969, as amended. In the event the pool's claims and expenses 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.

**NOTE K: SHORT-TERM NOTES**

On August 20, 2015, the District issued a short-term State School Aid Anticipation Note in the amount of \$2,850,000 for the purpose of funding operating expenditures until the 2015-2016 State Aid payments resumed. This short-term note, which had a net outstanding balance of \$2,871,090 (principal and accrued interest payable) at June 30, 2016, was reported in the General Fund under the caption short-term notes payable and the applicable accrued interest was included within accrued liabilities. The outstanding balance was paid August 20, 2016.

On September 30, 2016, the District issued a short-term State School Aid Anticipation Note in the amount of \$800,000 for the purpose of funding operating expenditures until the 2016-2017 State Aid payments resumed. This short-term note, which had a net outstanding balance of \$0 (principal and accrued interest payable) at June 30, 2017, was paid March 30, 2017.

Central Montcalm Public School  
NOTES TO FINANCIAL STATEMENTS

June 30, 2017

**NOTE L: DETAILS OF FUND BALANCE CLASSIFICATIONS**

GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, established fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. The following are the five classifications of fund balance under this standard.

*Nonspendable* - assets that are not available in a spendable form such as inventory, prepaid expenditures, and long-term receivables not expected to be converted to cash in the near term. It also includes funds that are legally or contractually required to be maintained intact such as the corpus of a permanent fund or foundation.

*Restricted* - amounts that are required by external parties to be used for a specific purpose. Constraints are externally imposed by creditors, grantors, contributors, laws, regulations, or enabling legislation.

*Committed* - amounts constrained on use imposed by formal action of the government's highest level of decision making authority (i.e., Board, Council, etc.).

*Assigned* - amounts intended to be used for specific purposes. This is determined by the governing body, the budget or finance committee or a delegated municipality official.

*Unassigned* - all other resources; the remaining fund balance after non-spendable, restrictions, commitments, and assignments. This class only occurs in the General Fund, except for cases of negative fund balances. Negative fund balances are always reported as Unassigned, no matter which fund the deficit occurs in.

**Fund Balance Classification Policies and Procedures**

For committed fund balance, Central Montcalm Public School's highest level of decision-making authority is the Board of Education. The formal action that is required to be taken to establish, modify, or rescind a fund balance commitment is through a formal action and approval by the Board of Education and committed fund balances do not lapse at year end.

For assigned fund balance, Central Montcalm Public School has not approved a policy indicating who is authorized to assign amounts to a specific purpose. As a result, this authority is retained by the Board of Education.

For the classification of fund balances, Central Montcalm Public School considers restricted or unrestricted amounts to have been spent when an expenditure is incurred for the purposes for which both restricted and unrestricted fund balance is available. Also for the classification of fund balances, Central Montcalm Public School considers committed, assigned, or unassigned amounts to have been spent when an expenditure is incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

**NOTE M: UPCOMING CHANGES IN ACCOUNTING PRINCIPLES**

In June 2015, the GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The statement replaces the requirements of GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. The statement requires governments providing other postemployment benefits (OPEB) to recognize their unfunded OPEB obligation as a liability for the first time, and to more comprehensibly and comparably measure the annual costs of OPEB benefits. The statement also enhances accountability and transparency through revised note disclosures and required supplementary information (RSI). The District is currently evaluating the impact this standard will have on the financial statements when adopted during the District's 2017-2018 fiscal year.

Central Montcalm Public School  
NOTES TO FINANCIAL STATEMENTS

June 30, 2017

**NOTE M: UPCOMING CHANGES IN ACCOUNTING PRINCIPLES - CONTINUED**

In March 2016, the GASB issued Statement No. 82, *Pension Issues - An Amendment of GASB Statements No. 67, No. 68, and No. 73*. The Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. The District is currently evaluating the impact this standard will have on the financial statements when adopted during the 2017-2018 fiscal year.

In January 2017, the GASB issued Statement No. 84, *Fiduciary Activities*. The statement improves guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. The District is currently evaluating the impact this standard will have on the financial statements when adopted during the District's 2019-2020 fiscal year.

In June 2017, the GASB issued Statement No. 87, *Leases*. The statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. The District is currently evaluating the impact this standard will have on the financial statements when adopted during the District's 2020-2021 fiscal year.

**NOTE N: SUBSEQUENT EVENT**

In September 2017, the District issued a short-term State School Aid Anticipation Note in the amount of \$800,000 for the purpose of funding operating expenditures until the 2017-2018 State Aid payments resume. The note is due and payable on March 30, 2018. State aid payments are expected to be sufficient to pay this obligation.

**NOTE O: COMMITMENTS**

The District has entered into agreements to complete capital improvements throughout the District. The balance of the commitment as of June 30, 2017 was approximately \$3.7 million. The remaining bond proceeds in the 2016 Capital Projects Fund are expected to be sufficient to pay for these commitments.

**NOTE P: BONDED CONSTRUCTION FUNDS**

The 2016 Capital Projects Fund of the District includes the capital projects activities funded in part by the 2016 Building Site Bonds issued after October 18, 2106 and other local sources (i.e., interest, etc.). For the projects recorded within the fund, the District has complied with the applicable provisions of Section 1351(a) of the Revised School Code in the current year.

**REQUIRED SUPPLEMENTARY INFORMATION**

Central Montcalm Public School

General Fund

BUDGETARY COMPARISON SCHEDULE

Year Ended June 30, 2017

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget Positive (Negative)
REVENUES				
Local sources	\$ 1,777,900	\$ 1,816,054	\$ 1,814,341	\$ (1,713)
State sources	13,160,224	13,050,029	13,067,610	17,581
Federal sources	569,326	689,499	652,627	(36,872)
TOTAL REVENUES	15,507,450	15,555,582	15,534,578	(21,004)
EXPENDITURES				
CURRENT				
INSTRUCTION				
Basic programs	7,655,767	7,629,140	7,562,584	66,556
Added needs	2,086,547	2,255,244	2,221,894	33,350
TOTAL INSTRUCTION	9,742,314	9,884,384	9,784,478	99,906
SUPPORTING SERVICES				
Pupil	652,702	849,655	838,698	10,957
Instructional staff	648,414	736,649	678,713	57,936
General administration	481,522	455,151	419,224	35,927
School administration	804,004	869,414	857,498	11,916
Business and central services	198,837	197,866	192,260	5,606
Operations and maintenance	1,619,786	1,448,720	1,441,852	6,868
Transportation	781,797	771,780	759,488	12,292
Non-instructional training	21,993	31,508	24,860	6,648
Technology/data services	289,656	270,835	265,471	5,364
Athletics	225,840	220,345	208,371	11,974
TOTAL SUPPORTING SERVICES	5,724,551	5,851,923	5,686,435	165,488
COMMUNITY SERVICES	4,926	3,100	1,531	1,569
DEBT SERVICE	93,270	90,660	90,660	-0-
TOTAL EXPENDITURES	15,565,061	15,830,067	15,563,104	266,963
EXCESS OF REVENUES (UNDER) EXPENDITURES	(57,611)	(274,485)	(28,526)	245,959

Central Montcalm Public School

General Fund

BUDGETARY COMPARISON SCHEDULE - CONTINUED

Year Ended June 30, 2017

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
OTHER FINANCING SOURCES (USES)				
Other transactions	\$ 249,000	\$ 307,368	\$ 269,023	\$ (38,345)
Transfers from other funds	-	-	64,899	64,899
Transfers to other funds	(17,191)	(11,752)	-	11,752
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>231,809</u>	<u>295,616</u>	<u>333,922</u>	<u>38,306</u>
<b>NET CHANGE IN FUND BALANCE</b>	174,198	21,131	305,396	284,265
Fund balance, beginning of year	<u>2,818,996</u>	<u>2,818,996</u>	<u>2,818,996</u>	<u>-0-</u>
Fund balance, end of year	<u>\$ 2,993,194</u>	<u>\$ 2,840,127</u>	<u>\$ 3,124,392</u>	<u>\$ 284,265</u>

Central Montcalm Public School

SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY

Michigan Public School Employee Retirement Plan

Last Three Measurement Dates (ultimately ten fiscal years will be displayed)  
 (Amounts were determined as of 9/30 of each fiscal year)

	<u>2014</u>	<u>2015</u>	<u>2016</u>
Central Montcalm Public School's proportion of net pension liability (%)	0.08658%	0.08686%	0.09206%
Central Montcalm Public School proportionate share of net pension liability	\$ 19,070,313	\$ 21,215,454	\$ 22,968,783
Central Montcalm Public School's covered-employee payroll	7,055,881	6,896,273	7,952,870
Central Montcalm Public School's proportionate share of net pension liability as a percentage of its covered-employee payroll	270.28%	307.64%	288.81%
Plan fiduciary net position as a percentage of total pension liability	66.20%	63.17%	63.27%

Central Montcalm Public School

SCHEDULE OF CONTRIBUTIONS

Michigan Public School Employee Retirement Plan

Last Three Fiscal Years (ultimately ten fiscal years will be displayed)  
 (Amounts were determined as of 6/30 of each fiscal year)

	<u>2015</u>	<u>2016</u>	<u>2017</u>
Statutorily required contributions	\$ 1,588,054	\$ 1,946,425	\$ 2,215,927
Contributions in relation to statutorily required contributions	<u>1,588,054</u>	<u>1,946,425</u>	<u>2,215,927</u>
Contribution deficiency (excess)	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>
Central Montcalm Public School's covered employee payroll	\$ 6,922,934	\$ 7,041,731	\$ 7,911,372
Contributions as a percentage of covered employee payroll	22.94%	27.64%	28.01%

Central Montcalm Public School

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

Year Ended June 30, 2017

**NOTE A: EXCESS OF EXPENDITURES OVER APPROPRIATIONS**

Michigan Public Act 621 of 1978, Sections 18 and 19, as amended, provides that a local governmental unit not incur expenditures in excess of the amount appropriated.

The approved budgets of the District have been adopted at the functional level for the General Fund and the total expenditure level for the Special Revenue Funds.

During the year ended June 30, 2017, the District incurred expenditures in excess of the amounts appropriated as follows:

	<u>Amounts Appropriated</u>	<u>Amounts Expended</u>	<u>Variance</u>
Food Service Fund	\$ 869,927	\$ 886,703	\$ 16,776

**NOTE B: MICHIGAN PUBLIC SCHOOL EMPLOYEE RETIREMENT PLAN**

Change of benefit terms: There were no changes of benefit terms in plan year 2016.

Changes of assumptions: There were no changes of assumptions in plan year 2016.

## **OTHER SUPPLEMENTARY INFORMATION**

Central Montcalm Public School

Nonmajor Governmental Funds

COMBINING BALANCE SHEET

June 30, 2017

	Special	Debt Service Funds			Total
	Revenue Fund	2012 Bond	2015 Bond	2016 Building	
	Food	Refunding	Refunding	and Site Bond	
	Service				
<b>ASSETS</b>					
Cash	\$ 334,638	\$ 124,418	\$ 367,092	\$ 125	\$ 826,273
Interest receivable	-	-	190	-	190
Due from other governmental units	5,148	-	-	-	5,148
Inventories	7,811	-	-	-	7,811
Prepays	3,596	-	-	-	3,596
<b>TOTAL ASSETS</b>	<b>\$ 351,193</b>	<b>\$ 124,418</b>	<b>\$ 367,282</b>	<b>\$ 125</b>	<b>\$ 843,018</b>
<b>LIABILITIES AND FUND BALANCES</b>					
<b>LIABILITIES</b>					
Accounts payable	\$ 509	\$ -	\$ -	\$ -	\$ 509
Due to other funds	51,245	-	-	-	51,245
<b>TOTAL LIABILITIES</b>	<b>51,754</b>	<b>-0-</b>	<b>-0-</b>	<b>-0-</b>	<b>51,754</b>
<b>FUND BALANCES</b>					
Nonspendable	3,596	-	-	-	3,596
Restricted					
Debt service	-	124,418	367,282	125	491,825
Food and nutrition	295,843	-	-	-	295,843
<b>TOTAL FUND BALANCES</b>	<b>299,439</b>	<b>124,418</b>	<b>367,282</b>	<b>125</b>	<b>791,264</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 351,193</b>	<b>\$ 124,418</b>	<b>\$ 367,282</b>	<b>\$ 125</b>	<b>\$ 843,018</b>

Central Montcalm Public School

Nonmajor Governmental Funds

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

Year Ended June 30, 2017

	Special	Debt Service Funds			Total
	Revenue Fund	2012 Bond	2015 Bond	2016 Bond	
	Food	Refunding	Refunding		
	Service				
REVENUES					
Local sources	\$ 175,907	\$ 568,056	\$ 1,301,476	\$ 147,247	\$ 2,192,686
State sources	56,273	-	-	-	56,273
Federal sources	617,824	-	-	-	617,824
TOTAL REVENUES	850,004	568,056	1,301,476	147,247	2,866,783
EXPENDITURES					
Current					
Food service	821,804	-	-	-	821,804
Debt service	-	569,510	1,305,775	147,122	2,022,407
TOTAL EXPENDITURES	821,804	569,510	1,305,775	147,122	2,844,211
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	28,200	(1,454)	(4,299)	125	22,572
OTHER FINANCING (USES)					
Transfers out	(64,899)	-	-	-	(64,899)
NET CHANGE IN FUND BALANCES	(36,699)	(1,454)	(4,299)	125	(42,327)
Fund balances, beginning of year	336,138	125,872	371,581	-	833,591
Fund balances, end of year	\$ 299,439	\$ 124,418	\$ 367,282	\$ 125	\$ 791,264