

MCBAIN RURAL AGRICULTURAL SCHOOL

MCBAIN, MICHIGAN

JUNE 30, 2017



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

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

MCBAIN RURAL AGRICULTURAL SCHOOL
MCBAIN, MICHIGAN

ANNUAL FINANCIAL REPORT
YEAR ENDED JUNE 30, 2017

TABLE OF CONTENTS

	<u>PAGES</u>
Independent Auditor's Report	i – iii
Management's Discussion and Analysis	iv – xii
Basic Financial Statements	
Government-Wide Financial Statements	
Statement of Net Position	1-2
Statement of Activities	3
Fund Financial Statements	
Balance Sheet – Governmental Funds	4-5
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position	6
Statement of Revenues, Expenditures and Changes in Fund Balance - Governmental Funds	7-8
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	9
Fiduciary Funds	
Statement of Fiduciary Net Position	10
Notes to Financial Statements	11-36
Required Supplementary Information	
Budgetary Comparison Schedule	37
Schedule of Proportionate Share of Net Pension Liability – Michigan Public School Employees' Retirement System	38
Schedule of Contributions – Michigan Public School Employees' Retirement System	39
Notes to Required Supplementary Information	40
Combining and Individual Fund Financial Statements	
Nonmajor Governmental Fund Types	
Combining Balance Sheet	41
Combining Statement of Revenues, Expenditures and Changes in Fund Balance	42
Financial Statements of Individual Funds	
General Fund	
Comparative Balance Sheet	43
Comparative Statement of Revenues, Expenditures and Changes in Fund Balance	44-45
Comparative Analysis of Revenues	46
Comparative Analysis of Expenditures and Other Financing Uses	47-51

MCBAIN RURAL AGRICULTURAL SCHOOL
MCBAIN, MICHIGAN

ANNUAL FINANCIAL REPORT
YEAR ENDED JUNE 30, 2017

TABLE OF CONTENTS

	<u>PAGES</u>
Special Revenue (School Service) Funds	
Food Service Fund	
Comparative Balance Sheet	52
Comparative Statement of Revenues, Expenditures and Changes in Fund Balance	53
School Operated Public Library Fund	
Comparative Balance Sheet	54
Comparative Statement of Revenues, Expenditures and Changes in Fund Balance	55
Debt Service Funds	
Combining Balance Sheet	56
Combining Statement of Revenues, Expenditures and Changes in Fund Balance	57
Capital Project Fund	
Comparative Balance Sheet	58
Comparative Statement of Revenues, Expenditures and Changes in Fund Balance	59
2014 Auditorium Capital Project Fund	
Comparative Balance Sheet	60
Comparative Statement of Revenues, Expenditures and Changes in Fund Balance	61
2016 Capital Project Fund	
Comparative Balance Sheet	62
Comparative Statement of Revenues, Expenditures and Changes in Fund Balance	63
Fiduciary Fund Types	
Agency Fund	
Statement of Cash Receipts and Disbursements	64
Other Information	
Schedule of Bonds Payable	
2011 School Building Improvement Bond Payment Schedule	65
2012 School Building Improvement Bond Payment Schedule	66
2014 School Technology and Bus Bond Payment Schedule	67
2016 School Technology and Bus Bond Payment Schedule	68



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

July 25, 2017

INDEPENDENT AUDITOR'S REPORT

To the Board of Education
McBain Rural Agricultural School
McBain, 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 McBain Rural Agricultural School, McBain, Michigan as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison schedule, schedule of proportionate share of the net pension liability, schedule of contributions, and notes to required supplementary information on pages iv through xii and 37-40 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 McBain Rural Agricultural School's basic financial statements. The Combining and Individual Fund Financial Statements and Other Information are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated July 25, 2017, on our consideration of McBain Rural Agricultural School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other

matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of McBain Rural Agricultural School's 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 McBain Rural Agricultural School, Michigan's internal control over financial reporting and compliance.

BAIRD, COTTER AND BISHOP, P.C.

Baird, Cotter & Bishop, P.C.

MCBAIN RURAL AGRICULTURAL SCHOOL
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR FISCAL YEAR ENDED JUNE 30, 2017

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

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The basic financial statements consist of the following three components: the government-wide financial statements, fund financial statements, and the notes to basic financial statements.

A. Government-Wide Financial Statements

The *Government-Wide Financial Statements* are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business.

The *Statement of Net Position* presents information on all of the District's assets, deferred inflows/outflows of resources and liabilities, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The *Statement of Activities* presents the information showing how the District's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported for some items that will only result in cash flows in future periods.

Both of the government-wide statements distinguish functions of the District that are principally supported by state aid and property taxes (governmental activities) from other functions that are intended to recover all or most of their costs through user fees and charges (business-type activities). The governmental activities of the District include instruction, supporting services, food service activities, athletic activities, library, community services, interest and other transactions.

B. Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure compliance with finance-related legal requirements. All of the funds of the District can be divided into two categories, governmental funds and fiduciary funds.

Governmental Funds Governmental funds are used to account for essentially the same functions as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in assessing a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar

MCBAIN RURAL AGRICULTURAL SCHOOL
MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR FISCAL YEAR ENDED JUNE 30, 2017

information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government’s near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

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

The District maintains one type of fiduciary fund. The Agency fund reports resources held by the District in a custodial capacity for individuals, private organizations and other governments.

Notes to Financial Statements

The notes provide additional information that is necessary to acquire a full understanding of the data provided in both the government-wide and the fund financial statements.

Other Information

In addition to the basic financial statements and accompanying notes, this report further presents Required Supplementary Information (RSI) that explains and supports the information presented in the financial statements.

C. Summary of Net Position

The following schedule summarizes the net position at fiscal years ended June 30:

Assets and Deferred Outflows of Resources	Governmental Activities	
	2017	2016
Assets		
Current Assets	\$ 4,477,922	\$ 5,286,021
Non Current Assets		
Capital Assets	22,136,927	21,327,351
Less Accumulated Depreciation	(9,114,125)	(8,306,390)
Total Non Current Assets	13,022,802	13,020,961
Total Assets	17,500,724	18,306,982
Deferred Outflows of Resources		
Deferred Outflows of Resources Related to Pensions	2,260,030	1,453,984
Total Assets and Deferred Outflows of Resources	\$ 19,760,754	\$ 19,760,966

MCBAIN RURAL AGRICULTURAL SCHOOL
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR FISCAL YEAR ENDED JUNE 30, 2017

	Governmental Activities	
	2017	2016
Liabilities, Deferred Inflows of Resources, and Net Position		
Liabilities		
Current Liabilities	\$ 1,308,878	\$ 1,367,619
Non Current Liabilities	15,387,486	15,027,256
Total Liabilities	16,696,364	16,394,875
Deferred Inflows of Resources		
Deferred Inflows Related to Pensions	606,116	571,275
Net Position		
Net Investment in Capital Assets	11,287,802	10,795,961
Restricted for Library Service	51,537	42,930
Restricted for Capital Projects	117,921	976,656
Restricted for Debt Service	59,179	106,412
Unrestricted (Deficit)	(9,058,165)	(9,127,143)
Total Net Position	2,458,274	2,794,816
Total Liabilities, Deferred Inflows of Resources and Net Position	\$ 19,760,754	\$ 19,760,966

D. Analysis of Financial Position

During the fiscal year ended June 30, 2017, the District's net position decreased by \$336,542. A few of the more significant factors affecting net position during the year are discussed below:

1. Depreciation Expense

GASB 34 requires school districts to maintain a record of annual depreciation expense and the accumulation of depreciation expense over time. The net increase in accumulated depreciation expense is a reduction in net position.

Depreciation expense is recorded on a straight-line basis over the estimated useful lives of the assets. In accordance with GAAP, depreciation expense is calculated based on the original cost of the asset less an estimated salvage value, where applicable. For the fiscal year ended June 30, 2017, \$819,647 was recorded for depreciation expense.

2. Capital Outlay Acquisitions

For the fiscal year ended June 30, 2017, \$821,488 of expenditures were capitalized and recorded as assets of the District. Additions to the District's capital assets are depreciated over time as explained above.

MCBAIN RURAL AGRICULTURAL SCHOOL
MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR FISCAL YEAR ENDED JUNE 30, 2017

The net effect of the new capital assets, the current year’s depreciation and current year disposal of capital assets is an increase to capital assets in the amount of \$1,841 for the fiscal year ended June 30, 2017. An increase to net capital assets is a growth in net position.

3. Pension Expense

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

4. Payment of Principal on Long-Term Debt

During the year ending June 30, 2017, the amount of long-term debt of the District decreased by \$490,000.

E. Results of Operations

For the fiscal year ended June 30, the results of operations, on a district-wide basis, were:

	<u>2017</u>	<u>2016</u>
General Revenues		
Property Taxes	\$ 1,629,945	\$ 1,574,902
Investment Earnings	12,525	12,268
State Sources	7,169,453	6,996,805
Other	<u>352,920</u>	<u>167,707</u>
Total General Revenues	<u>9,164,843</u>	<u>8,751,682</u>
Program Revenues		
Charges for Services	182,861	184,916
Operating Grants	<u>1,022,469</u>	<u>1,117,371</u>
Total Program Revenues	<u>1,205,330</u>	<u>1,302,287</u>
Total Revenues	<u>10,370,173</u>	<u>10,053,969</u>

MCBAIN RURAL AGRICULTURAL SCHOOL
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR FISCAL YEAR ENDED JUNE 30, 2017

	2017	2016
Expenses		
Instruction	5,675,748	5,469,294
Supporting Services	3,726,742	3,351,369
Food Service	357,738	421,624
School Operated Public Library	15,153	7,276
Community Services	1,756	1,676
Non-Public Schools	62,730	51,876
Interest on Long-Term Debt	47,201	37,979
Capital Outlay	0	27,294
Unallocated Depreciation	819,647	741,276
 Total Expenses	 10,706,715	 10,109,664
 Change in Net Position	 \$ (336,542)	 \$ (55,695)

F. Financial Analysis of the District's Funds

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

	2017	2016	Increase (Decrease)
Major Funds			
General Fund	\$ 2,630,059	\$ 2,718,870	\$ (88,811)
Capital Project Fund	687,067	478,120	208,947
2014 Auditorium Capital Project Fund	0	481,562	(481,562)
Food Service Fund	108,653	90,379	18,274
2016 Capital Project Fund	117,921	495,094	(377,173)
 Nonmajor Funds			
School Operated Public Library Fund	51,537	42,930	8,607
2011 Debt Retirement Fund	0	64,484	(64,484)
2012 Debt Retirement Fund	14,015	17,989	(3,974)
2014 Debt Retirement Fund	37,966	20,736	17,230
2016 Debt Retirement Fund	7,198	3,203	3,995
 Total Governmental Funds	 \$ 3,654,416	 \$ 4,413,367	 \$ (758,951)

The General Fund had a decrease in its fund balance primarily due to the hiring of experienced personnel and the purchase of new capital outlay.

The 2014 Auditorium Capital Project Fund decreased fund balance to a zero balance upon completion.

MCBAIN RURAL AGRICULTURAL SCHOOL
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR FISCAL YEAR ENDED JUNE 30, 2017

The Food Service Fund increased its fund balance due to increases in local, state, and federal revenue sources that were larger than the expenditures associated with these revenues.

The 2016 Capital Project Fund decreased its fund balance due to the acquisition of capital assets.

The School Operated Public Library Fund increased its fund balance due to revenues being greater than the expenditures.

The Capital Project Fund increased its fund balance due to insurance proceeds that were received during the fiscal year.

The 2011 and 2012 Debt Retirement Funds decreased their fund balances due to principal and interest payment obligations made being greater than local property taxes collected during the year. The 2011 Debt Retirement Fund was also closed during the year, transferring out any remaining fund balance to the 2012 Debt Retirement Fund.

The 2014 and 2016 Debt Retirement Funds increased their fund balances due to a principal and interest payment obligations being less than the local property taxes collected during the year.

G. Analysis of Significant Revenues and Expenses

Significant revenues and expenditures are discussed in the segments below:

1. Property Taxes

The District levies 18.00 mills of property taxes for operations on non-homestead properties, less the mandatory reductions required by the Headlee Amendment, Article IX, Section 31. According to Michigan law, the taxable levy is based on the taxable valuation of properties. The annual taxable valuation increases are capped at the rate of the prior year's Consumer's Price Index increase or 5%, whichever is less. At the time property is sold, its taxable valuation is readjusted to the State Equalized Value, which in theory is half of the property's market value.

For the 2016-2017 fiscal year, the District levied \$1,150,335 in non-homestead property taxes. This represented an increase of \$51,376 from the prior year.

The following table summarizes the non-homestead property tax levies for operations for the past five years:

<u>Fiscal Year</u>	<u>Non-Homestead Tax Levy</u>
2016-2017	\$ 1,149,896
2015-2016	1,098,959
2014-2015	1,106,801
2013-2014	1,112,057
2012-2013	1,080,885

MCBAIN RURAL AGRICULTURAL SCHOOL
MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR FISCAL YEAR ENDED JUNE 30, 2017

2. State Sources

The majority of the state sources is comprised of the per student foundation allowance. The State of Michigan funds districts based on a blended student enrollment. The blended enrollment consists of the current year’s fall count and the prior year’s spring count. For the 2016-2017 fiscal year, the District received \$7,511 per student FTE.

3. Student Enrollment

The following schedule summarizes the blended student enrollment for the past five fiscal years:

<u>Fiscal Year</u>	<u>Blended Student FTE</u>
2016-2017	1,015
2015-2016	1,017
2014-2015	1,009
2013-2014	1,031
2012-2013	1,067

4. Operating Grants

The District funds a significant portion of its operations with categorical sources. For the fiscal year ended June 30, 2017, federal, state, and other grants accounted for \$1,022,469.

H. General Fund Budgetary Highlights

The Uniform Budget Act of the State of Michigan requires that the local Board of Education approve the original budget for the upcoming fiscal year prior to its starting on July 1. Any amendments made to the operating budget must be approved by the Board prior to the close of the fiscal year on June 30.

The following schedule shows a comparison of the original general fund budget, the final amended general fund budget and actual totals from operations:

	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>
<u>REVENUES</u>	<u>\$9,381,385</u>	<u>\$9,376,951</u>	<u>\$ 9,306,626</u>
<u>EXPENDITURES</u>			
Instruction	\$5,699,190	\$5,887,725	\$ 5,735,449
Supporting Services	3,724,200	3,828,485	3,699,970
Community Services	4,135	4,135	1,756
Non-Public Schools	65,065	65,715	62,730
Total Expenditures	<u>\$9,492,590</u>	<u>\$9,786,060</u>	<u>\$ 9,499,905</u>

MCBAIN RURAL AGRICULTURAL SCHOOL
MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR FISCAL YEAR ENDED JUNE 30, 2017

The district typically budgets conservatively as it relates to its expenditures and this resulted in the actual expenditures being under budget in many functions. There was no significant variance between budget and actual revenues during the fiscal year.

I. Capital Asset and Debt Administration

1. Capital Assets

At June 30, 2017, the District has \$22,136,927 in a broad range of capital assets, including school buildings and facilities, school buses and other vehicles, and various types of equipment. Depreciation expense for the year amounted to \$819,647 bringing the accumulated depreciation to \$9,114,125 as of June 30, 2017.

**McBain Rural Agricultural School
Capital Assets**

	2017	2016
Land and Improvements	\$ 543,499	\$ 543,499
Buildings and Additions	16,197,934	11,782,035
Machinery and Equipment	4,075,339	3,787,207
Transportation Equipment	1,320,155	1,187,105
Work in Progress	0	4,027,505
 Total Capital Assets	 \$ 22,136,927	 \$ 21,327,351

Additions to capital assets included:

- Building Improvements in the amount of \$11,260.
- New water heater purchased in the amount of \$5,440.
- Two additional buses purchased in the amount of \$144,962.
- Computer equipment purchased in the amount of \$282,692.
- Auditorium construction in the amount of \$4,404,639, of which \$4,027,505 was classified as work in progress from prior years.

In addition, the District has committed to constructing a new roof in the fiscal year 2017-18 in the amount of \$205,795. This will be primarily covered by insurance proceeds that were collected.

Additional information on the District’s capital assets can be found in the notes to this report.

MCBAIN RURAL AGRICULTURAL SCHOOL
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR FISCAL YEAR ENDED JUNE 30, 2017

2. Long-Term Debt

At June 30, 2017, the District had \$1,735,000 in bonded debt outstanding. This represents a decrease of \$490,000 from the amount outstanding at the close of the prior fiscal year. Other long-term debt includes the net pension liability of \$14,132,486.

Additional information on the District's long-term debt can be found in the notes to this report.

J. Factors Bearing on the District's Future

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

- With the current economic condition in the country, and especially in the State of Michigan, uncertainty surrounds the level at which districts will be funded for the student foundation allowance for the 2017-2018 fiscal year.
- As with other employers, the District continues to face a rapid increase in rates paid for employee benefits, particularly health insurance and retirement.

K. Contacting the District's Financial Management

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report, please contact McBain Rural Agricultural School, 107 E. Maple Street, McBain, Michigan 49657.

MCBAIN RURAL AGRICULTURAL SCHOOL
MCBAIN, MICHIGAN

STATEMENT OF NET POSITION

JUNE 30, 2017

ASSETS

CURRENT ASSETS

Cash	\$ 427,866
Restricted Cash	117,921
Accounts Receivable	20,716
Inventory	2,327
Due from Other Governments	1,499,401
Prepaid Expense	5,572
Investments	<u>2,404,119</u>
 Total Current Assets	 <u>4,477,922</u>

NON CURRENT ASSETS

Capital Assets	22,136,927
Less Accumulated Depreciation	<u>(9,114,125)</u>
 Total Non Current Assets	 <u>13,022,802</u>

TOTAL ASSETS 17,500,724

DEFERRED OUTFLOWS OF RESOURCES

Related to Pensions 2,260,030

LIABILITIES

CURRENT LIABILITIES

Accounts Payable	31,480
Accrued Expenses	355,024
Accrued Interest Payable	5,372
Salaries Payable	361,638
Unearned Revenue	75,364
Current Portion of Non Current Liabilities	<u>480,000</u>
 Total Current Liabilities	 <u>1,308,878</u>

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

MCBAIN RURAL AGRICULTURAL SCHOOL
MCBAIN, MICHIGAN

STATEMENT OF NET POSITION

JUNE 30, 2017

<u>NON CURRENT LIABILITIES</u>	
Bonds Payable	1,735,000
Net Pension Liability	14,132,486
Less Current Portion of Non Current Liabilities	<u>(480,000)</u>
 Total Non Current Liabilities	 <u>15,387,486</u>
 TOTAL LIABILITIES	 <u>16,696,364</u>
 <u>DEFERRED INFLOWS OF RESOURCES</u>	
Related to Pensions	<u>606,116</u>
 <u>NET POSITION</u>	
Net Investment in Capital Assets	11,405,723
Restricted for Library Service	51,537
Restricted for Debt Service	53,807
Unrestricted (Deficit)	<u>(9,052,793)</u>
 TOTAL NET POSITION	 <u>\$ 2,458,274</u>

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

MCBAIN RURAL AGRICULTURAL SCHOOL
MCBAIN, MICHIGAN

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2017

FUNCTIONS/PROGRAMS	EXPENSES	PROGRAM REVENUES		GOVERNMENTAL ACTIVITIES NET (EXPENSES) REVENUES AND CHANGE IN NET POSITION
		CHARGES FOR SERVICES	OPERATING GRANTS	
<u>GOVERNMENTAL ACTIVITIES</u>				
Instruction	\$ 5,675,748	\$ 8,954	\$ 672,282	\$ (4,994,512)
Supporting Services	3,726,742	32,299	24,845	(3,669,598)
Food Service	357,738	139,146	283,183	64,591
School Operated Public Library	15,153	2,462	0	(12,691)
Community Services	1,756	0	0	(1,756)
Non-Public Schools	62,730	0	32,681	(30,049)
Interest on Long-Term Debt	47,201	0	9,478	(37,723)
Unallocated Depreciation	819,647	0	0	(819,647)
Total Governmental Activities	<u>\$10,706,715</u>	<u>\$ 182,861</u>	<u>\$ 1,022,469</u>	<u>(9,501,385)</u>
<u>GENERAL REVENUES</u>				
Property Taxes - General Purposes				1,149,896
Property Taxes - Debt Service				480,049
Investment Earnings				12,525
State Sources				7,169,453
Other				352,920
Total General Revenues				<u>9,164,843</u>
Change in Net Position				(336,542)
<u>NET POSITION</u> - Beginning of Year				<u>2,794,816</u>
<u>NET POSITION</u> - End of Year				<u>\$ 2,458,274</u>

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

MCBAIN RURAL AGRICULTURAL SCHOOL
MCBAIN, MICHIGAN

BALANCE SHEET
GOVERNMENTAL FUNDS

JUNE 30, 2017

	2014 AUDITORIUM			2016		OTHER		TOTAL	
	GENERAL	CAPITAL	CAPITAL	FOOD	CAPITAL	NONMAJOR	GOVERNMENTAL		
	FUND	PROJECT	PROJECT	SERVICE	PROJECT	FUNDS	GOVERNMENTAL		
	FUND	FUND	FUND	FUND	FUND	FUND	FUNDS		
<u>ASSETS</u>									
Cash	\$ 76,691	\$ 0	\$ 0	\$ 270,624	\$ 0	\$ 80,551	\$ 427,866		
Restricted Cash	0	0	0	0	117,921	0	117,921		
Accounts Receivable	20,716	0	0	0	0	0	20,716		
Due from Other Funds	157,175	0	0	0	0	9,288	166,463		
Inventory	0	0	0	2,327	0	0	2,327		
Due from Other Governments	1,499,401	0	0	0	0	0	1,499,401		
Prepaid Expenditures	5,572	0	0	0	0	0	5,572		
Investments	1,686,287	687,067	0	0	0	30,765	2,404,119		
TOTAL ASSETS	\$3,445,842	\$ 687,067	\$ 0	\$ 272,951	\$ 117,921	\$ 120,604	\$ 4,644,385		
<u>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</u>									
<u>LIABILITIES</u>									
Accounts Payable	\$ 23,757	\$ 0	\$ 0	\$ 7,723	\$ 0	\$ 0	\$ 31,480		
Accrued Expenditures	355,024	0	0	0	0	0	355,024		
Salaries Payable	361,638	0	0	0	0	0	361,638		
Unearned Revenue	75,364	0	0	0	0	0	75,364		
Due to Other Funds	0	0	0	156,575	0	9,888	166,463		
Total Liabilities	815,783	0	0	164,298	0	9,888	989,969		
<u>FUND BALANCES</u>									
Nonspendable									
Inventory	0	0	0	2,327	0	0	2,327		
Prepaid Expenditures	5,572	0	0	0	0	0	5,572		

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

MCBAIN RURAL AGRICULTURAL SCHOOL
MCBAIN, MICHIGAN

BALANCE SHEET
GOVERNMENTAL FUNDS

JUNE 30, 2017

	2014 AUDITORIUM			2016		OTHER		TOTAL	
	GENERAL	CAPITAL	CAPITAL	FOOD	CAPITAL	NONMAJOR	GOVERNMENTAL		
	FUND	PROJECT	PROJECT	SERVICE	PROJECT	FUNDS	FUNDS		
	FUND	FUND	FUND	FUND	FUND	FUND	FUND		
Restricted for:									
Library Service	0	0	0	0	0	51,537	51,537		
Food Service	0	0	0	106,326	0	0	106,326		
Debt Service	0	0	0	0	0	59,179	59,179		
Capital Projects	0	0	0	0	117,921	0	117,921		
Committed for Capital Projects	0	687,067	0	0	0	0	687,067		
Assigned for Subsequent Year's									
Budget Shortfall	776,325	0	0	0	0	0	776,325		
Unassigned	1,848,162	0	0	0	0	0	1,848,162		
Total Fund Balances	2,630,059	687,067	0	108,653	117,921	110,716	3,654,416		
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	\$3,445,842	\$ 687,067	\$ 0	\$272,951	\$ 117,921	\$ 120,604	\$ 4,644,385		

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

THIS PAGE INTENTIONALLY LEFT BLANK

MCBAIN RURAL AGRICULTURAL SCHOOL
MCBAIN, MICHIGAN

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

JUNE 30, 2017

Total Governmental Fund Balances	\$ 3,654,416
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not financial resources and are not reported in the funds.	
The cost of the capital assets is	\$ 22,136,927
Accumulated depreciation is	<u>(9,114,125)</u> 13,022,802
Long-term liabilities are not due and payable in the current period and are not reported in the funds.	
Bonds Payable	(1,735,000)
Net Pension Liability	(14,132,486)
Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the funds.	
Deferred Outflow of Resources	2,260,030
Deferred Inflow of Resources	(606,116)
Accrued interest is not included as a liability in government funds; it is recorded when paid.	<u>(5,372)</u>
NET POSITION OF GOVERNMENTAL ACTIVITIES	<u><u>\$ 2,458,274</u></u>

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

MCBAIN RURAL AGRICULTURAL SCHOOL
MCBAIN, MICHIGAN

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

YEAR ENDED JUNE 30, 2017

	2014		2016		OTHER		TOTAL	
	CAPITAL	AUDITORIUM	FOOD	CAPITAL	NONMAJOR	GOVERNMENTAL		TOTAL
	GENERAL	CAPITAL	SERVICE	PROJECT	GOVERNMENTAL	GOVERNMENTAL		FUNDS
	FUND	PROJECT	FUND	FUND	FUNDS	FUNDS		FUNDS
<u>REVENUES</u>								
Local Sources	\$1,333,060	\$ 209,247	\$ 40	\$ 139,190	\$ 30	\$ 482,774	\$	2,164,341
Intermediate Sources	0	0	0	0	0	19,159		19,159
State Sources	7,511,233	0	0	12,798	0	1,910		7,525,941
Federal Sources	231,703	0	0	270,385	0	9,478		511,566
Other Transactions	230,630	0	0	0	0	0		230,630
Total Revenues	9,306,626	209,247	40	422,373	30	513,321		10,451,637
<u>EXPENDITURES</u>								
Instruction								
Basic Programs	5,022,578	0	0	0	0	0		5,022,578
Added Needs	712,871	0	0	0	0	0		712,871
Supporting Services								
Pupil	287,076	0	0	0	0	0		287,076
Instructional Staff	345,048	0	0	0	0	0		345,048
General Administration	305,037	0	0	0	0	0		305,037
School Administration	528,994	0	0	0	0	0		528,994
Business	119,155	0	0	0	0	0		119,155
Operation and Maintenance of Plant	921,386	0	0	0	0	0		921,386
Pupil Transportation Services	733,459	0	0	0	0	0		733,459
Support Services - Other	233,541	0	0	0	0	0		233,541
Information Management Services	204,793	0	0	0	0	0		204,793
Central Information Services	21,481	0	0	0	0	0		21,481
Food Service Activities	0	0	0	404,099	0	0		404,099

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

MCBAIN RURAL AGRICULTURAL SCHOOL
MCBAIN, MICHIGAN

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

YEAR ENDED JUNE 30, 2017

	GENERAL FUND	CAPITAL PROJECT FUND	2014 AUDITORIUM CAPITAL PROJECT FUND	FOOD SERVICE FUND	2016 CAPITAL PROJECT FUND	OTHER NONMAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
School Operated Public Library	0	0	0	0	0	15,153	15,153
Community Services							
Community Activities	1,756	0	0	0	0	0	1,756
Non-Public Schools	62,730	0	0	0	0	0	62,730
Capital Outlay	0	300	377,134	0	377,203	0	754,637
Debt Service							
Principal	0	0	0	0	0	490,000	490,000
Interest	0	0	0	0	0	46,794	46,794
Total Expenditures	9,499,905	300	377,134	404,099	377,203	551,947	11,210,588
Excess of Revenues Over (Under) Expenditures	(193,279)	208,947	(377,094)	18,274	(377,173)	(38,626)	(758,951)
<u>OTHER FINANCING SOURCES (USES)</u>							
Transfer In	104,468	0	0	0	0	0	104,468
Transfer Out	0	0	(104,468)	0	0	0	(104,468)
Total Other Financing Sources (Uses)	104,468	0	(104,468)	0	0	0	0
Net Change in Fund Balance	(88,811)	208,947	(481,562)	18,274	(377,173)	(38,626)	(758,951)
<u>FUND BALANCE</u> - Beginning of Year	2,718,870	478,120	481,562	90,379	495,094	149,342	4,413,367
<u>FUND BALANCE</u> - End of Year	\$2,630,059	\$ 687,067	\$ 0	\$ 108,653	\$ 117,921	\$ 110,716	\$ 3,654,416

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

MCBAIN RURAL AGRICULTURAL SCHOOL
MCBAIN, MICHIGAN

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

YEAR ENDED JUNE 30, 2017

Net Change in Fund Balances Total Governmental Funds \$ (758,951)

Amounts reported for governmental activities are different because:

Governmental funds report capital outlay as expenditures; in the Statement of Activities these costs are allocated over their estimated useful lives as depreciation.

Capital Assets	821,488
Depreciation Expense	(819,647)

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

Accrued Interest Payable - Beginning of Year	4,965
Accrued Interest Payable - End of Year	(5,372)

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of principal on long-term debt is an expenditure in the governmental funds, but not in the Statement of Activities (where it is a reduction of liabilities).

Repayment of Principal on Long-Term Debt	490,000
--	---------

Governmental funds report district pension contributions as expenditures. However, in the Statement of Activities, the cost of pension benefits earned net of employee contributions is reported as a pension expense:

Items Related to Pensions	12,439
---------------------------	--------

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

Change in State Aid Funding for Pension	<u>(81,464)</u>
---	-----------------

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	<u><u>\$ (336,542)</u></u>
--	-----------------------------------

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

MCBAIN RURAL AGRICULTURAL SCHOOL
MCBAIN, MICHIGAN

STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS

JUNE 30, 2017

	<u>AGENCY FUNDS</u>
<u>ASSETS</u>	
Cash	\$ 78,438
<u>LIABILITIES</u>	
Due to Groups and Organizations	<u>78,438</u>
<u>NET POSITION</u>	<u>\$ 0</u>

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

MCBAIN RURAL AGRICULTURAL SCHOOL
MCBAIN, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

The School District (the "District") is located in Clare, Missaukee, Osceola and Wexford Counties with its administrative offices located in McBain, Michigan. The District operates under an elected 7-member board of education and provides services to its 1,015 students in elementary, middle school, high school, special education instruction, guidance, health, transportation, food service, athletics and public library. The District receives funding from local, state, and federal government sources and must comply with all of the requirements of these funding source entities. However, the District is not included in any other governmental reporting entity as defined by generally accepted accounting principles. Board members are elected by the public and have decision-making authority, the power to designate management, the ability to significantly influence operations, and the primary accountability for fiscal matters.

B. Description of Government-Wide Financial Statements

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

C. Basis of Presentation – Government-Wide Financial Statements

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

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

D. Basis of Presentation – Fund Financial Statements

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

MCBAIN RURAL AGRICULTURAL SCHOOL
MCBAIN, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

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

The District reports the following major governmental funds:

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

The *Capital Project Fund* accounts for the acquisition of fixed assets or construction of major capital projects.

The *2014 Auditorium Capital Project Fund* accounts for the revenues collected and expenditures related to the construction of an auditorium.

The *2016 Capital Project Fund* accounts for the acquisition of fixed assets or construction of major capital projects.

The *Food Service Fund* accounts for revenue sources that are legally restricted to expenditures for food service activities.

Other non-major funds:

The *School Operated Public Library Special Revenue Fund* accounts for proceeds from specific revenue sources that are restricted or committed to expenditures for specific purposes.

The *2011, 2012, 2014 and 2016 Debt Services Funds* account for the resources accumulated and payments made for principal interest on long-term general obligation debt of governmental funds.

Additionally, the District reports the following fiduciary fund:

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

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

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

MCBAIN RURAL AGRICULTURAL SCHOOL
MCBAIN, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

E. Measurement Focus and Basis of Accounting

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

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

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

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

The agency fund has no measurement focus but utilizes the *accrual basis of accounting* for reporting its assets and liabilities.

F. Budgetary Information

1. Budgetary Basis of Accounting

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

Appropriations in all budgeted funds lapse at the end of the fiscal year even if they have related encumbrances. Encumbrances represent commitments related to unperformed contracts for goods or

MCBAIN RURAL AGRICULTURAL SCHOOL
MCBAIN, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

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

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

- a) In June, the superintendent submits to the school board a proposed operating budget for the fiscal year commencing on July 1.
- b) A public hearing is conducted during June to obtain taxpayer comments.
- c) Prior to June 30, the budget is legally adopted by the School Board resolution pursuant to the Uniform Budgeting and Accounting Act. 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 financial sources will be less than anticipated, or so that expenditures will not be in excess of original estimates. Expenditures shall not be made or incurred, unless authorized in the budget, in excess of the amount appropriated.
- d) The superintendent is charged with general supervision of the budgets and shall hold the department heads responsible for performance of their responsibilities.
- e) For purposes of meeting emergency needs of the school district, transfer of appropriations may be made by the authorization of the superintendent. Such transfers of appropriations must be approved by the Board of Education at its next regularly scheduled meeting.
- f) During the year the budgets are monitored and amendments to the budget resolution are made when it is deemed necessary.
- g) Budgeted amounts are as originally adopted on June 29, 2016, or as amended by the School Board of Education throughout the year.

2. *Excess of Expenditures over Appropriations*

	<u>APPROPRIATIONS</u>	<u>EXPENDITURES</u>
Supporting Services		
Information Management Services	\$ 198,935	\$ 204,793
Pupil Transportation Services	729,810	733,459
Food Service Fund	397,489	404,099

These overages were funded by reduced spending in other programs, greater than anticipated revenues, and available fund balance.

MCBAIN RURAL AGRICULTURAL SCHOOL
MCBAIN, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

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

1. *Cash and Cash Equivalents*

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

2. *Investments*

Investments are carried at market value.

The District complies with State statutes regarding investment of funds.

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

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

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

3. *Inventory and Prepaid Items*

Inventory is valued at cost using the first-in/first-out method. Inventory consists of expendable supplies held for consumption, which are recorded as expenditures when consumed rather than when purchased.

Certain payments made to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

The nonspendable fund balance at the governmental fund level is equal to the amount of inventories and prepaid items at year-end to indicate the portion of the governmental fund balances that are nonspendable.

4. *Capital Assets*

Capital assets, which include property and equipment, are reported in the governmental activities column in the District-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation.

MCBAIN RURAL AGRICULTURAL SCHOOL
MCBAIN, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Capital assets of the District are depreciated using the straight-line method over the following estimated useful lives:

Buildings and Additions	50 years
Furniture and Other Equipment	5-15 years

5. *Unearned Revenue*

Unearned revenue arises when resources are received by the District before it has a legal claim to them. In subsequent periods, when both revenue recognition criteria are met, or when the government has a legal claim to the resources, revenue is recognized. The District has unearned revenue in both the General Fund and Lunch Fund that is related to state and local grants/donations, with restrictions on how they can be spent, being received but as of the year-end have not been spent.

6. *Pension*

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

7. *Compensated Absences*

Noncurrent accumulated unpaid compensated absences are not accrued in governmental funds (using the modified accrual basis of accounting). The District did not have any accumulated unpaid sick pay liability at June 30, 2017 or 2016.

8. *Long-Term Obligations*

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

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

MCBAIN RURAL AGRICULTURAL SCHOOL
MCBAIN, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

9. *Deferred Outflows/Inflows of Resources*

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District has one item that qualifies for reporting in this category and is related to the pension plan for its employees. Details can be found in footnote 3–F.

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

10. *Net Position Flow Assumption*

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

11. *Fund Balance Flow Assumption*

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

12. *Fund Balance Policies*

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

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the District’s highest level of decision-making authority. The governing board is the highest level of decision-making authority for the government that can, by

MCBAIN RURAL AGRICULTURAL SCHOOL
MCBAIN, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation.

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

13. Use of Estimates

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

14. Restricted Assets

Certain cash resources are classified as restricted assets on the balance sheet because their use is limited by applicable spending requirements and they are maintained in separate bank accounts.

H. Revenues and Expenditures/Expenses

1. State Revenue

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

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

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

MCBAIN RURAL AGRICULTURAL SCHOOL
MCBAIN, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

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

2. Program Revenues

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

3. Property Taxes

Property taxes levied by the District are collected by various municipalities and periodically remitted to the District. The taxes are billed as of December 1. The due date is December 1, after which time the bills become delinquent and penalties and interest may be assessed by the collecting entity.

The various counties in which the School District is located have tax revolving funds which allow the counties to pay off the various taxing units for their share of the current year real property taxes returned delinquent. Taxes receivable are uncollected delinquent personal property taxes.

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

<u>Fund</u>	<u>Mills</u>
General Fund - Non-Principle Residence Exemption (PRE)	18.00
General Fund - Commercial Personal Property	6.00
Debt Funds - PRE, Non-PRE, Commercial Personal Property	1.95

NOTE 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Violations of Legal or Contractual Provisions

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

NOTE 3 – DETAILED NOTES ON ALL ACTIVITIES AND FUNDS

A. Deposits and Investments

Custodial credit risk – deposits. In the case of deposits, this is the risk that in the event of a bank failure, the District's deposits may not be returned to it. As of June 30, 2017, the District's bank balance was \$664,705 and \$237,006 of that amount was exposed to custodial credit risk because it was uninsured and uncollateralized. The risk is spread amongst the District's funds. Although the District's investment policy

MCBAIN RURAL AGRICULTURAL SCHOOL
MCBAIN, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

does not directly address custodial credit risk, it typically limits its exposure by purchasing insured or registered investments or by controlling who holds the deposits.

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

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

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

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

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

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

	Fair Value	Weighted Average Maturity (Years)	Standard & Poor's Rating	%
MILAF+ External Investment Pool - Cash Management Class	\$ 250,298	0.0027	AAAm	10.41%
MILAF+ External Investment Pool - MIMAX	2,153,821	0.0027	AAAm	89.59%
	\$ 2,404,119			100.00%
Portfolio Weighted Average Maturity		0.0027		

1 Day Maturity Equals 0.0027, One Year Equals 1.000

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

MCBAIN RURAL AGRICULTURAL SCHOOL
MCBAIN, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

portfolio offers three share classes which are: Cash Management Class, MAX Class, and GovMIC Class. The only class that has limitations or restrictions on withdrawals is MAX Class, which requires notification of redemptions prior to 14 days to avoid penalties. The MILAF+ portfolio is not subject to fair value disclosures.

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

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

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

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

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs. There are two types of valuation techniques most commonly used and vary depending on the level of investment. These two techniques are the market approach and income approach. The market approach uses prices and other relevant information generated by the market transactions involving identical or similar assets and liabilities. The income approach discounts future amounts to a single current amount and the discount rate used in the process should reflect current market expectations about risks associated with those future cash flows.

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

The carrying amount of deposits and investments is as follows:

	<u>Total</u>
Deposits – including Fiduciary Funds of \$78,438	\$ 624,225
Investments	<u>2,404,119</u>
	<u>\$ 3,028,344</u>

MCBAIN RURAL AGRICULTURAL SCHOOL
MCBAIN, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

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

	<u>Total</u>
Cash - Fiduciary Funds	\$ 78,438
Cash - District-Wide	427,866
Cash - Restricted	117,921
Investments	<u>2,404,119</u>
	<u>\$ 3,028,344</u>

B. Receivables

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

	<u>General</u>
Receivables	
Accounts	\$ 20,716
Due from Other Governments	<u>1,499,401</u>
Total Receivables	<u>\$ 1,520,117</u>

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

Because of the District's favorable collection experience, no allowance for doubtful accounts has been recorded.

C. Capital Assets

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

	<u>Balance</u>				<u>Balance</u>
	July 1, 2016	Additions	Deletions		June 30, 2017
Capital assets not being depreciated - Land					
Land	\$ 370,833	\$ 0	\$ 0		\$ 370,833
Capital assets being depreciated					
Land improvements	172,666	0	0		172,666
Buildings and additions	11,782,035	4,415,899	0		16,197,934
Machinery and equipment	3,787,207	288,132	0		4,075,339
Transportation equipment	1,187,105	144,962	11,912		1,320,155
Work in Progress	4,027,505	0	4,027,505		0
Subtotal	<u>20,956,518</u>	<u>4,848,993</u>	<u>4,039,417</u>		<u>21,766,094</u>

MCBAIN RURAL AGRICULTURAL SCHOOL
MCBAIN, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

	Balance July 1, 2016	Additions	Deletions	Balance June 30, 2017
Less accumulated depreciation for				
Land improvements	148,251	3,325	0	151,576
Buildings and additions	4,624,656	285,692	0	4,910,348
Machinery and equipment	2,768,655	441,515	0	3,210,170
Transportation equipment	764,828	89,115	11,912	842,031
Accumulated depreciation	8,306,390	819,647	11,912	9,114,125
Net capital assets being depreciated	12,650,128	4,029,346	4,027,505	12,651,969
Net Capital assets	<u>\$ 13,020,961</u>	<u>\$ 4,029,346</u>	<u>\$ 4,027,505</u>	<u>\$ 13,022,802</u>

Depreciation for the fiscal year ended June 30, 2017, amounted to \$819,647. The District determined that it was impractical to allocate depreciation to the various governmental activities as the assets serve multiple functions.

D. Accrued Liabilities

Accrued liabilities reported by governmental funds at June 30, 2017, were as follows:

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
Salaries	\$ 361,638	\$ 0	\$ 361,638
Employee Benefits	355,024	0	355,024
Total accrued liabilities	<u>\$ 716,662</u>	<u>\$ 0</u>	<u>\$ 716,662</u>

E. Defined Benefit Plan and Post-Retirement Benefits

Plan Description – The Michigan Public School Employees’ Retirement System (System or 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. 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.

MCBAIN RURAL AGRICULTURAL SCHOOL
MCBAIN, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

Benefit Provisions- Pension

Introduction

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

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

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

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

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

Pension Reform 2010

On May 19, 2010, the Governor signed Public Act 75 of 2010 into law. As a result, any member of the Michigan Public School Employees' Retirement System (MPSERS) who became a member of MPSERS after June 30, 2010 is a Pension Plus member. Pension Plus is a hybrid plan that contains a pension component with an employee contribution (graded, up to 6.4% of salary) and a flexible and transferable defined contribution (DC) tax-deferred investment account that earns an employer match of 50% (up to 1% of salary) on employee contributions. Retirement benefits for Pension Plus members are determined by final average compensation and years of service. Disability and survivor benefits are available to Pension Plus members.

Pension Reform 2012

On September 4, 2012, the Governor signed Public Act 300 of 2012 into law. The legislation grants all active members who first became a member before July 1, 2010 and who earned service credit in the 12

MCBAIN RURAL AGRICULTURAL SCHOOL
MCBAIN, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

months ending September 3, 2012, or were on an approved professional services or military leave of absence on September 3, 2012, a voluntary election regarding their pension. Any changes to a member's pension are effective as of the member's *transition date*, which is defined as the first day of the pay period that begins on or after February 1, 2013. Under the reform, members voluntarily chose to increase, maintain, or stop their contributions to the pension fund. Members who elected under option 1 to increase their level of contribution contribute 4% (Basic Plan) or 7% (MIP).

Regular Retirement

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

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

Pension Plus

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

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

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

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

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

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

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

Member Contributions

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

MCBAIN RURAL AGRICULTURAL SCHOOL
MCBAIN, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

Employer Contributions

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

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

<u>Pension Contribution Rates</u>		
<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%

The District's pension contributions for the year ended June 30, 2017 were equal to the required contribution total. Pension contributions were approximately \$1,359,980. These amounts include contributions funded from state revenue Section 147c restricted to fund MPSERS Unfunded Actuarial Accrued Liability (UAAL) Stabilization Rate.

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

Pension Liabilities

At June 30, 2017, the District reported a liability of \$14,132,486 for its proportionate share of the net pension liability. The net pension liability was measured as of September 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation date of September 30, 2015 and rolled-forward using generally accepted actuarial procedures. The District's proportion of the net pension liability was based on a projection of its long-term share of contributions to the pension plan relative to the projected contributions of all participating reporting units, actuarially determined. At September 30, 2016 and 2015, the District's proportion was .05665 and .05442.

MCBAIN RURAL AGRICULTURAL SCHOOL
MCBAIN, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

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

	<u>September 30, 2016</u>	<u>September 30, 2015</u>
Total Pension Liability	\$ 67,917,445,078	\$ 66,312,041,902
Plan Fiduciary Net Position	<u>42,968,263,309</u>	<u>41,887,015,147</u>
Net Pension Liability	<u>\$ 24,949,181,769</u>	<u>\$ 24,425,026,755</u>
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	63.27%	63.17%
Net Pension Liability as a Percentage of Covered-Employee Payroll	295.81%	292.61%

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

For the year ended June 30, 2017, the District recognized total pension expense of \$905,721. This amount excludes contributions funded from state revenue Section 147c restricted to fund the MPERS Unfunded Actuarial Accrued Liability (UAAL) Stabilization Rate.

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

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 176,128	\$ 33,494
Changes of assumptions	220,950	0
Net difference between projected and actual earnings on pension plan investments	234,882	0
Changes in proportion and differences between District contributions and proportionate share of contributions	414,667	130,801
District section 147c revenue related to pension contributions subsequent to the measurement date	0	441,821
District contributions subsequent to the measurement date	<u>1,213,403</u>	<u>0</u>
Total	<u>\$ 2,260,030</u>	<u>\$ 606,116</u>

MCBAIN RURAL AGRICULTURAL SCHOOL
MCBAIN, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

\$1,213,403 reported as deferred outflows of resources and \$441,821 reported as deferred inflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a net reduction of the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources (+) and deferred inflows of resources (-) related to pensions will be recognized in pension expense as follows:

<u>Year Ended September 30,</u>	<u>Amount</u>
2017	\$ 178,282
2018	159,810
2019	419,668
2020	124,572
	<hr/> <hr/>
	\$ 882,332

G. Actuarial Valuations and Assumptions of the Pension Plan

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

Additional information as of the latest actuarial valuation follows:

Summary of Actuarial Assumptions

Valuation Date:	September 30, 2015
Actuarial Cost Method:	Entry Age, Normal
Wage Inflation Rate:	3.50%
Investment Rate of Return	
-MIP and Basic Plans (Non-Hybrid):	8.00%
-Pension Plus Plan (Hybrid):	7.00%
Projected Salary Increases:	3.5-12.3 % including wage inflation at 3.5%
Cost of Living Pension Adjustments:	3% Annual Non-Compounded for MIP Members

Mortality:

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

MCBAIN RURAL AGRICULTURAL SCHOOL
MCBAIN, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

Notes:

- Assumption changes as a result of an experience study for the periods 2007 through 2012 have been adopted by the System for use in the annual pension valuations beginning with the September 30, 2014 valuation. The total pension liability as of September 30, 2016, is based on the results of an actuarial valuation date of September 30, 2015, and rolled forward using generally accepted actuarial procedures, including the experience study.
- Recognition period for liabilities is the average of the expected remaining service lives of all employees in years: 4.6273.
- Recognition period for assets in years is 5.0000.
- Full actuarial assumptions are available in the 2016 MPSERS Comprehensive Annual Financial Report.

Long-Term Expected Rate of Return on Investments

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of September 30, 2016, are summarized in the following table:

<u>Investment Category</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic Equity Pools	28.00%	5.90%
Alternative Investment Pools	18.00%	9.20%
International Equity	16.00%	7.20%
Fixed Income Pools	10.50%	0.90%
Real Estate & Infrastructure Pools	10.00%	4.30%
Absolute Return Pools	15.50%	6.00%
Short-Term Investment Pools	2.00%	0.00%
	<u>100%</u>	

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

MCBAIN RURAL AGRICULTURAL SCHOOL
MCBAIN, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

Discount Rate

A discount rate of 8.0% was used to measure the total pension liability (7.0% for the Pension Plus plan, a hybrid plan). This discount rate was based on the long-term expected rate of return on pension plan investments of 8.0% (7.0% for the Pension Plus plan). The projection of cash flows used to determine this discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

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

1% Decrease (Non-Hybrid/Hybrid) 7.0% / 6.0%	Current Single Discount Rate Assumption (Non-Hybrid/Hybrid) 8.0% / 7.0%	1% Increase (Non-Hybrid/Hybrid) 9.0% / 8.0%
\$ 18,199,085	\$ 14,132,486	\$ 10,703,953

H. Pension Plan Fiduciary Net Position

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

I. Payables to the Pension Plan

As of June 30, 2017, the District is current on all required pension plan payments. As of June 30, 2017, the District reported payables in the amount of \$149,059 to the pension plan. These amounts represent current payments for June wages paid in July, accruals for summer pay primarily for teachers and also the contributions due funded from state revenue Section 147c restricted to fund the MPSERS Unfunded Actuarial Accrued Liability (UAAL) Stabilization Rate.

J. Benefit Provisions – Other Post-Employment

Introduction

Benefit provisions of the postemployment healthcare plan are established by State statute, which may be amended. Public Act 300 of 1980, as amended, establishes eligibility and benefit provisions. Retirees have the option of health coverage. The System has contracted to provide the comprehensive group medical,

MCBAIN RURAL AGRICULTURAL SCHOOL
MCBAIN, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

hearing, dental and vision coverage for retirees and beneficiaries. A subsidized portion of the premium is paid by the System with the balance deducted from the monthly pension of each retiree health care recipient. For members who first worked before July 1, 2008, (Basic, MIP-Fixed, and MIP-Graded plan members), the subsidy is the maximum allowed by statute. To limit future liabilities of Other Postemployment Benefits, members who first worked on or after July 1, 2008, (MIP-Plus, plan members), have a graded premium subsidy based on career length where they accrue credit towards their insurance premiums in retirement, not to exceed the maximum allowable by statute. Public Act 300 of 2012 sets the maximum subsidy at 80% beginning January 1, 2013; 90% for those Medicare eligible and enrolled in the insurances as of that date.

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

Retiree Healthcare Reform of 2012

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

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

Employer Contributions

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

The District's contributions to MPSERS for post-employment healthcare contributions for the years ended June 30, 2017, 2016 and 2015 were approximately \$460,000, \$425,000 and \$115,000.

K. Risk Management

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

MCBAIN RURAL AGRICULTURAL SCHOOL
MCBAIN, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

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

L. Lease Information

The rental expense for the year ended June 30, 2017 was \$5,513.

The rental expense consists of lease agreements on land, copiers and uniforms. The future minimum lease payments for these leases are as follows:

June 30, 2018	\$	1,200
June 30, 2019		1,200
		<hr style="border-top: 1px solid black;"/>
	\$	<u>2,400</u>

M. Long-Term Liabilities

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

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

	2016	2014	2012	2011	Net Pension	
	<u>Bond Issue</u>	<u>Bond Issue</u>	<u>Bond Issue</u>	<u>Bond Issue</u>	<u>Liability</u>	<u>TOTAL</u>
Long-Term Debt						
at July 1, 2016	\$ 500,000	\$ 825,000	\$ 625,000	\$ 275,000	\$ 13,292,956	\$ 15,517,956
Additions	0	0	0	0	2,111,525	2,111,525
Deletions	0	(120,000)	(95,000)	(275,000)	(1,271,995)	(1,761,995)
						<hr style="border-top: 1px solid black;"/>
LONG-TERM DEBT						
AT JUNE 30, 2017	<u>\$ 500,000</u>	<u>\$ 705,000</u>	<u>\$ 530,000</u>	<u>\$ 0</u>	<u>\$ 14,132,486</u>	<u>\$ 15,867,486</u>

Annual debt service requirements are to maturity for the above obligations except for net pension liability.

MCBAIN RURAL AGRICULTURAL SCHOOL
MCBAIN, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

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

GENERAL OBLIGATION SERIAL BONDS - 2014

McBain Rural Agricultural Schools Technology and Bus Purchase Bonds, dated July 29, 2014, are due in annual installments of \$215,000 to \$275,000 through May 1, 2020, interest is paid semi-annually and is computed at rates of 1.50% to 2.45% per annum \$ 705,000

GENERAL OBLIGATION SERIAL BONDS - 2016

McBain Rural Agricultural Schools Technology and Bus Purchase Bonds, dated June 2, 2016, are due in annual installments of \$160,000 to \$170,000 through May 1, 2022, interest is paid semi-annually and is computed at rates of 1.10% to 2.45% per annum 500,000

GENERAL OBLIGATION SERIAL BONDS - 2012

McBain Rural Agricultural Schools Building Improvement Bond, dated November 1, 2012, are due in annual installments of \$265,000 through May 1, 2019, interest is paid semi-annually and is computed at rates of 1.15% to 1.55% per annum 530,000

NET PENSION LIABILITY

Proportionate Share of State of MI Pension Liability 14,132,486
\$ 15,867,486

The annual requirements to amortize all long-term liabilities outstanding as of June 30, 2017, including interest payments of \$82,596 are as follows:

<u>YEAR ENDING</u> <u>JUNE 30,</u>	<u>PRINCIPAL</u>	<u>INTEREST</u>	<u>TOTAL</u>
2018	\$ 480,000	\$ 32,234	\$ 512,234
2019	480,000	24,574	504,574
2020	435,000	15,844	450,844
2021	170,000	6,544	176,544
2022	170,000	3,400	173,400
	<u>\$ 1,735,000</u>	<u>\$ 82,596</u>	<u>\$ 1,817,596</u>

The annual requirements to amortize the accrued net pension liability are uncertain because it is unknown when the employees will use the benefit. Net pension liability will be paid by the fund in which the employee worked, including the general fund and other governmental funds.

MCBAIN RURAL AGRICULTURAL SCHOOL
MCBAIN, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

N. Interfund Receivables and Payables

	INTERFUND RECEIVABLES	INTERFUND PAYABLES
General Fund	\$ 157,175	\$ 0
School Service Fund - Food Service	0	156,575
2011 Debt Retirement Fund	0	9,288
2012 Debt Retirement Fund	9,288	0
2016 Debt Retirement Fund	0	600
	\$ 166,463	\$ 166,463

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

O. Interfund Transfers

The District had the following interfund transfers for the fiscal year June 30, 2017.

	TRANSFERS IN	TRANSFERS OUT
General Fund	\$ 104,468	\$ 0
2014 Auditorium Capital Project Fund	0	104,468
2012 Debt Retirement Fund	9,288	0
2011 Debt Retirement Fund	0	9,288
	\$ 113,756	\$ 113,756

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

P. Capital Projects Funds

The 2016 Capital Projects Fund includes capital project activities funded with bonds issued on June 2, 2016. For these capital projects, the School District has complied with the applicable provisions of §1351a of the Revised School Code.

The 2014 Auditorium Capital Projects Fund includes capital project activities funded with donations during the 2014-2015 fiscal year.

MCBAIN RURAL AGRICULTURAL SCHOOL
MCBAIN, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

Q. Tax Abatements

Effective for the year ended June 30, 2017, the District is required to disclose significant tax abatements as required by GASB statement 77 (tax abatements). The District receives reduced property tax revenues as a result of Industrial Facilities Tax exemptions granted by Springville Township within the District. Industrial facility exemptions are intended to promote construction of new industrial facilities, acquisition of personal property, or to rehabilitate historical facilities.

For the fiscal year ended June 30, 2017, (tax year 2016) the District's property tax revenues were reduced insignificantly under these programs.

There are no significant abatements made by the District.

R. Other Information

1. Commitments and Contingencies

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

The 2016 Capital Project Fund has \$117,921 restricted bond proceeds.

Before the fiscal year-end the Board approved roof expenditures in the amount of \$205,795 covered by insurance proceeds.

NOTE 4 – UPCOMING ACCOUNTING PRONOUNCEMENTS

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

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

MCBAIN RURAL AGRICULTURAL SCHOOL
MCBAIN, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

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

MCBAIN RURAL AGRICULTURAL SCHOOL
MCBAIN, MICHIGAN

REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE

YEAR ENDED JUNE 30, 2017

	GENERAL FUND			FOOD SERVICE FUND		
	ORIGINAL	FINAL	ACTUAL	ORIGINAL	FINAL	ACTUAL
	BUDGET	BUDGET		BUDGET	BUDGET	
<u>REVENUES</u>						
Local Sources	\$ 1,302,730	\$ 1,317,650	\$ 1,333,060	\$ 145,945	\$ 138,075	\$ 139,190
State Sources	7,593,675	7,526,850	7,511,233	14,000	9,565	12,798
Federal Sources	232,565	267,611	231,703	230,000	217,860	270,385
Other Transactions	252,415	264,840	230,630	0	0	0
Total Revenues	9,381,385	9,376,951	9,306,626	389,945	365,500	422,373
<u>EXPENDITURES</u>						
Instruction						
Basic Programs	5,069,350	5,123,640	5,022,578	0	0	0
Added Needs	629,840	764,085	712,871	0	0	0
Supporting Services						
Pupil	295,840	296,425	287,076	0	0	0
Instructional Staff	314,560	398,000	345,048	0	0	0
General Administration	320,565	326,720	305,037	0	0	0
School Administration	534,375	539,685	528,994	0	0	0
Business	124,235	122,765	119,155	0	0	0
Operation and Maintenance of Plant	888,430	946,955	921,386	0	0	0
Pupil Transportation Services	795,865	729,810	733,459	0	0	0
Support Services - Athletics	246,235	246,170	233,541	0	0	0
Information Management Services	204,095	198,935	204,793	0	0	0
Central Information Services	0	23,020	21,481	0	0	0
Food Service Activities	0	0	0	413,660	397,489	404,099
Community Services						
Community Activities	4,135	4,135	1,756	0	0	0
Non-Public Schools	65,065	65,715	62,730	0	0	0
Total Expenditures	9,492,590	9,786,060	9,499,905	413,660	397,489	404,099
Excess (Deficiency) of Revenues Over Expenditures	(111,205)	(409,109)	(193,279)	(23,715)	(31,989)	18,274
<u>OTHER FINANCING SOURCES (USES)</u>						
Transfer In (Out)	0	0	104,468	0	0	0
Net Change in Fund Balance	(111,205)	(409,109)	(88,811)	(23,715)	(31,989)	18,274
<u>FUND BALANCE</u> - Beginning of Year	2,339,331	2,718,870	2,718,870	24,116	90,379	90,379
<u>FUND BALANCE</u> - End of Year	\$ 2,228,126	\$ 2,309,761	\$ 2,630,059	\$ 401	\$ 58,390	\$ 108,653

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

MCBAIN RURAL AGRICULTURAL SCHOOL
MCBAIN, MICHIGAN

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

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
District's proportion of net pension liability (%)								0.05665%	0.05442%	0.05531%
District's proportionate share of net pension liability								\$ 14,132,486	\$ 13,292,256	\$ 12,183,956
District's covered-employee payroll								4,844,937	4,496,918	4,504,329
District's proportionate share of net pension liability as a percentage of its covered-employee payroll								291.70%	295.59%	270.49%
Plan fiduciary net position as a percentage of total pension liability								63.27%	63.17%	66.20%

MCBAIN RURAL AGRICULTURAL SCHOOL
MCBAIN, MICHIGAN

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CONTRIBUTIONS

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

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Statutorily required contributions								\$ 1,359,980	\$ 1,277,180	\$ 1,037,422
Contributions in relation to statutorily required contributions *								1,359,980	1,277,180	1,037,422
Contribution deficiency (excess)								\$ 0	\$ 0	\$ 0
Covered-Employee Payroll								\$ 4,862,456	\$ 4,591,905	\$ 4,554,825
Contributions as a percentage of covered-employee payroll								27.97%	27.81%	22.78%

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

MCBAIN RURAL AGRICULTURAL SCHOOL
MCBAIN, MICHIGAN

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

A. Changes of Benefit Terms

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

B. Changes of Assumptions

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

THIS PAGE INTENTIONALLY LEFT BLANK

MCBAIN RURAL AGRICULTURAL SCHOOL
MCBAIN, MICHIGAN

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUND TYPES

JUNE 30, 2017

	SCHOOL OPERATED PUBLIC LIBRARY FUND	2011 DEBT RETIREMENT FUND	2012 DEBT RETIREMENT FUND	2014 DEBT RETIREMENT FUND	2016 DEBT RETIREMENT FUND	TOTAL NONMAJOR GOVERNMENTAL FUNDS
<u>ASSETS</u>						
Cash	\$ 20,772	\$ 9,288	\$ 4,727	\$ 37,966	\$ 7,798	\$ 80,551
Due from Other Funds	0	0	9,288	0	0	9,288
Investments	30,765	0	0	0	0	30,765
TOTAL ASSETS	\$ 51,537	\$ 9,288	\$ 14,015	\$ 37,966	\$ 7,798	\$ 120,604
<u>LIABILITIES AND FUND BALANCES</u>						
<u>LIABILITIES</u>						
Due to Other Funds	\$ 0	\$ 9,288	\$ 0	\$ 0	\$ 600	\$ 9,888
<u>FUND BALANCE</u>						
Restricted for:						
Library Services	51,537	0	0	0	0	51,537
Debt Service	0	0	14,015	37,966	7,198	59,179
Total Fund Balances	51,537	0	14,015	37,966	7,198	110,716
TOTAL LIABILITIES AND FUND BALANCES	\$ 51,537	\$ 9,288	\$ 14,015	\$ 37,966	\$ 7,798	\$ 120,604

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

MCBAIN RURAL AGRICULTURAL SCHOOL
MCBAIN, MICHIGAN

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

YEAR ENDED JUNE 30, 2017

	SCHOOL OPERATED PUBLIC LIBRARY FUND	2011 DEBT RETIREMENT FUND	2012 DEBT RETIREMENT FUND	2014 DEBT RETIREMENT FUND	2016 DEBT RETIREMENT FUND	TOTAL NONMAJOR GOVERNMENTAL FUNDS
<u>REVENUES</u>						
Local Sources	\$ 2,691	\$ 221,576	\$ 91,091	\$ 155,100	12,316	\$ 482,774
Intermediate Sources	19,159	0	0	0	0	19,159
Federal Sources	0	9,478	0	0	0	9,478
State Sources	1,910	0	0	0	0	1,910
Total Revenues	23,760	231,054	91,091	155,100	12,316	513,321
<u>EXPENDITURES</u>						
School Operated Public Library	15,153	0	0	0	0	15,153
Debt Service						
Principal	0	275,000	95,000	120,000	0	490,000
Interest and Other	0	11,250	9,353	17,870	8,321	46,794
Total Expenditures	15,153	286,250	104,353	137,870	8,321	551,947
Excess (Deficiency) of Revenues Over Expenditures	8,607	(55,196)	(13,262)	17,230	3,995	(38,626)
<u>OTHER FINANCING SOURCES (USES)</u>						
Transfer In	0	0	9,288	0	0	9,288
Transfer Out	0	(9,288)	0	0	0	(9,288)
Total Other Financing Sources (Uses)	0	(9,288)	9,288	0	0	0
Net Change in Fund Balance	8,607	(64,484)	(3,974)	17,230	3,995	(38,626)
<u>FUND BALANCE</u> - Beginning of Year	42,930	64,484	17,989	20,736	3,203	149,342
<u>FUND BALANCE</u> - End of Year	\$ 51,537	\$ 0	\$ 14,015	\$ 37,966	\$ 7,198	\$ 110,716

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

MCBAIN RURAL AGRICULTURAL SCHOOL
MCBAIN, MICHIGAN

GENERAL FUND
COMPARATIVE BALANCE SHEET

JUNE 30,

	2017	2016
<u>ASSETS</u>		
Cash	\$ 76,691	\$ 130,020
Accounts Receivable	20,716	17,302
Due from Other Funds	157,175	154,522
Due from Other Governments	1,499,401	1,382,282
Prepaid Expenditures	5,572	5,078
Investments	1,686,287	1,719,743
	\$ 3,445,842	\$ 3,408,947
 <u>LIABILITIES AND FUND BALANCE</u>		
<u>LIABILITIES</u>		
Accounts Payable	\$ 23,757	\$ 10,634
Accrued Expenditures	355,024	312,394
Salaries Payable	361,638	335,611
Unearned Revenue	75,364	31,438
	815,783	690,077
 <u>FUND BALANCE</u>		
Nonspendable		
Prepaid Expenditures	5,572	5,078
Assigned for Subsequent Years Budget Shortfall	776,325	111,205
Unassigned	1,848,162	2,602,587
	2,630,059	2,718,870
	\$ 3,445,842	\$ 3,408,947

MCBAIN RURAL AGRICULTURAL SCHOOL
MCBAIN, MICHIGAN

GENERAL FUND
COMPARATIVE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE

YEAR ENDED JUNE 30,

	<u>2017</u>	<u>2016</u>
<u>REVENUES</u>		
Local Sources	\$ 1,333,060	\$ 1,316,074
State Sources	7,511,233	7,345,369
Federal Sources	231,703	231,382
Other Transactions	230,630	179,009
	<hr/>	<hr/>
Total Revenues	9,306,626	9,071,834
	<hr/>	<hr/>
<u>EXPENDITURES</u>		
Instruction		
Basic Programs		
Elementary	2,566,447	2,091,042
Middle School	1,030,484	1,252,661
High School	1,425,647	1,394,438
Added Needs		
Special Education	568,664	486,031
Compensatory Education	144,207	139,368
Supporting Services		
Pupil		
Guidance Services	108,965	104,500
Health Services	1,630	1,079
Social Work Services	171,439	164,578
Other Pupil Services	5,042	4,785
Instructional Staff		
Improvement of Instruction	41,235	28,860
Library	108,955	112,623
Computer Assisted Instruction	194,858	200,827
General Administration		
Board of Education	61,370	70,075
Executive Administration	243,667	233,230
School Administration		
Office of the Principal		
Elementary	211,830	208,249
Middle School	61,997	63,441
High School	255,167	246,528

MCBAIN RURAL AGRICULTURAL SCHOOL
MCBAIN, MICHIGAN

GENERAL FUND
COMPARATIVE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE

YEAR ENDED JUNE 30,

	2017	2016
Business		
Fiscal Services	103,377	101,274
Other Business Services	15,778	14,834
Operation and Maintenance of Plant	921,386	788,602
Pupil Transportation Services	733,459	675,291
Support Services - Other		
Athletics	233,541	223,077
Information Management Services	204,793	164,055
Central Information Services	21,481	18,132
Community Services		
Civic Activities	1,756	966
Non-Public Schools		
Pupil Services	30,584	32,957
Transfer to Other Districts	32,146	5,022
	9,499,905	8,826,525
Total Expenditures		
Excess (Deficiency) of Revenues over Expenditures	(193,279)	245,309
 <u>OTHER FINANCING SOURCES (USES)</u>		
Transfer In	104,468	0
Transfer Out	0	(300,000)
	104,468	(300,000)
Total Other Financing Source (Uses)		
Net Change in Fund Balance	(88,811)	(54,691)
<u>FUND BALANCE</u> - Beginning of Year	2,718,870	2,773,561
<u>FUND BALANCE</u> - End of Year	\$ 2,630,059	\$ 2,718,870

MCBAIN RURAL AGRICULTURAL SCHOOL

MCBAIN, MICHIGAN

GENERAL FUND

COMPARATIVE ANALYSIS OF REVENUES

YEAR ENDED JUNE 30,

	<u>2017</u>	<u>2016</u>
<u>LOCAL SOURCES</u>		
Property Tax Levy	\$ 1,149,896	\$ 1,099,125
Earnings on Investments and Deposits	8,696	3,486
Other Local Revenues		
Athletics	32,299	29,654
Rentals	8,954	3,800
Oil and Gas Rent and Royalties	20	50
Miscellaneous	133,195	179,959
Total Local Sources	<u>1,333,060</u>	<u>1,316,074</u>
<u>STATE SOURCES</u>		
Grants-In-Aid		
Received through the State		
State Aid Foundation	7,148,384	6,976,009
At Risk	211,386	235,323
Special Education	151,463	134,037
Total State Sources	<u>7,511,233</u>	<u>7,345,369</u>
<u>FEDERAL SOURCES</u>		
Grant-In-Aid Restricted		
Received through the State		
Title I	183,398	168,469
Title II Part A	42,994	54,647
Title VI	1	3,459
Received through Other Districts		
Title III	3,730	4,054
Medicaid Outreach	1,580	753
Total Federal Sources	<u>231,703</u>	<u>231,382</u>
<u>OTHER TRANSACTIONS</u>		
Transfers from Other Governmental Units		
Wexford-Missaukee Intermediate School District		
PPI Transportation	26,134	14,421
Medicaid Caseload Coordination	21,570	33,923
Special Education	122,729	121,343
Interpreter	13,606	0
Prior Period Adjustment	12,285	0
Non-Public School Transfer	32,681	5,022
Sale of Fixed Assets	1,625	4,300
Total Other Transactions	<u>230,630</u>	<u>179,009</u>
TOTAL REVENUES	<u>\$ 9,306,626</u>	<u>\$ 9,071,834</u>

MCBAIN RURAL AGRICULTURAL SCHOOL
MCBAIN, MICHIGAN

GENERAL FUND

COMPARATIVE ANALYSIS OF EXPENDITURES AND OTHER FINANCING USES

YEAR ENDED JUNE 30,

	<u>2017</u>	<u>2016</u>
<u>INSTRUCTION</u>		
<u>Basic Programs</u>		
<u>Elementary</u>		
Salaries	\$ 1,530,681	\$ 1,244,651
Employee Benefits	986,231	776,447
Purchased Services	248	799
Supplies and Materials	48,217	68,743
Other Expense	1,070	402
Total Elementary	2,566,447	2,091,042
<u>Middle School</u>		
Salaries	642,122	778,409
Employee Benefits	383,031	469,816
Purchased Services	0	136
Supplies and Materials	4,113	3,738
Other Expense	1,218	562
Total Middle School	1,030,484	1,252,661
<u>High School</u>		
Salaries	773,960	751,610
Employee Benefits	495,196	482,876
Purchased Services	75,565	123,956
Supplies and Materials	75,389	33,822
Other Expense	5,537	2,174
Total High School	1,425,647	1,394,438
<u>Added Needs</u>		
<u>Special Education</u>		
Salaries	347,394	294,583
Employee Benefits	220,579	189,646
Purchased Services	80	80
Supplies and Materials	461	1,597
Other Expense	150	125
Total Special Education	568,664	486,031
<u>Compensatory Education</u>		
Salaries	79,449	82,509
Employee Benefits	54,556	53,154
Supplies and Materials	10,202	3,705
Total Compensatory Education	144,207	139,368

MCBAIN RURAL AGRICULTURAL SCHOOL
MCBAIN, MICHIGAN

GENERAL FUND

COMPARATIVE ANALYSIS OF EXPENDITURES AND OTHER FINANCING USES

YEAR ENDED JUNE 30,

	<u>2017</u>	<u>2016</u>
<u>SUPPORTING SERVICES</u>		
<u>Pupil Services</u>		
<u>Guidance Services</u>		
Salaries	64,982	62,288
Employee Benefits	43,601	41,943
Supplies	382	269
Total Guidance Services	108,965	104,500
 <u>Health Services</u>		
Purchased Services	600	335
Supplies and Materials	1,030	744
Total Health Services	1,630	1,079
 <u>Social Work Services</u>		
Salaries	99,694	97,483
Employee Benefits	71,501	66,950
Supplies and Materials	244	145
Total Social Work Services	171,439	164,578
 <u>Other Pupil Services</u>		
Salaries	2,135	2,135
Employee Benefits	931	924
Supplies	1,976	1,726
Total Other Pupil Services	5,042	4,785
 <u>Instructional Staff</u>		
<u>Improvement of Instruction</u>		
Salaries	10,356	4,500
Employee Benefits	3,544	1,950
Purchased Services	18,279	5,339
Supplies and Materials	9,056	17,071
Total Improvement of Instruction	41,235	28,860
 <u>Library</u>		
Salaries	61,361	60,092
Employee Benefits	31,431	30,540
Purchased Services	3,465	4,866
Supplies and Materials	12,582	16,544
Other Expense	116	581
Total Library	108,955	112,623

MCBAIN RURAL AGRICULTURAL SCHOOL
MCBAIN, MICHIGAN

GENERAL FUND

COMPARATIVE ANALYSIS OF EXPENDITURES AND OTHER FINANCING USES

YEAR ENDED JUNE 30,

	2017	2016
<u>Computer Assisted Instruction</u>		
Purchased Services	93,882	144,159
Supplies and Materials	9,355	9,705
Capital Outlay	91,621	46,963
Total Computer Assisted Instruction	194,858	200,827
 <u>General Administrative Services</u>		
<u>Board of Education</u>		
Salaries	3,780	3,780
Purchased Services	40,520	48,266
Other Expense	17,070	18,029
Total Board of Education	61,370	70,075
 <u>Executive Administration</u>		
Salaries	150,379	143,048
Employee Benefits	88,222	84,858
Purchased Services	1,803	2,266
Supplies and Materials	875	2,082
Capital Outlay	1,583	0
Other Expense	805	976
Total Executive Administration	243,667	233,230
 <u>School Administrative Services</u>		
<u>Office of the Principal - Elementary</u>		
Salaries	124,015	121,453
Employee Benefits	82,344	79,985
Purchased Services	2,271	3,192
Supplies and Materials	1,070	1,908
Capital Outlay	0	1,156
Other Expense	2,130	555
Total Office of the Principal - Elementary	211,830	208,249
 <u>Office of the Principal - Middle School</u>		
Salaries	30,481	29,903
Employee Benefits	29,423	25,840
Purchased Services	1,658	4,349
Supplies and Materials	435	1,369
Capital Outlay	0	1,980
Total Office of the Principal - Middle School	61,997	63,441

MCBAIN RURAL AGRICULTURAL SCHOOL
MCBAIN, MICHIGAN

GENERAL FUND

COMPARATIVE ANALYSIS OF EXPENDITURES AND OTHER FINANCING USES

YEAR ENDED JUNE 30,

	2017	2016
<u>Office of the Principal - High School</u>		
Salaries	141,893	140,364
Employee Benefits	109,478	101,858
Purchased Services	2,814	3,019
Supplies and Materials	333	957
Other Expense	649	330
Total Office of the Principal - High School	255,167	246,528
<u>Business Services</u>		
<u>Fiscal Services</u>		
Salaries	56,281	55,111
Employee Benefits	39,457	37,860
Purchased Services	7,639	7,303
Supplies and Materials	0	1,000
Total Fiscal Services	103,377	101,274
<u>Other Business Services</u>		
Purchased Services	8,046	7,340
Other Expense	7,732	7,494
Total Other Business Services	15,778	14,834
<u>Operation and Maintenance of Plant</u>		
Salaries	287,371	248,959
Employee Benefits	199,539	162,151
Purchased Services	174,032	170,129
Supplies and Materials	207,104	181,987
Capital Outlay	49,066	22,145
Other Expense	4,274	3,231
Total Operation and Maintenance of Plant	921,386	788,602
<u>Pupil Transportation Services</u>		
Salaries	287,026	276,916
Employee Benefits	282,722	266,881
Purchased Services	21,598	11,113
Supplies and Materials	137,892	106,822
Capital Outlay	0	9,151
Other Expense	4,221	4,408
Total Pupil Transportation Services	733,459	675,291

MCBAIN RURAL AGRICULTURAL SCHOOL
MCBAIN, MICHIGAN

GENERAL FUND

COMPARATIVE ANALYSIS OF EXPENDITURES AND OTHER FINANCING USES

YEAR ENDED JUNE 30,

	<u>2017</u>	<u>2016</u>
<u>Support Services - Other</u>		
<u>Athletics</u>		
Salaries	92,995	89,651
Employee Benefits	41,234	36,112
Purchased Services	59,455	62,336
Supplies and Materials	11,490	18,680
Capital Outlay	21,710	11,785
Other Expense	6,657	4,513
Total Athletic Services	233,541	223,077
 <u>Information Management Services</u>		
Salaries	121,271	95,002
Employee Benefits	83,522	69,053
Total Information Management Services	204,793	164,055
 <u>Central Information Services</u>		
Purchased Services	13,495	14,093
Supplies and Materials	7,986	4,039
Total Central Information Services	21,481	18,132
 <u>COMMUNITY SERVICES</u>		
<u>Civic Activities</u>		
Supplies and Materials	1,756	966
 <u>NON-PUBLIC SCHOOLS</u>		
<u>Pupil Services</u>		
Salaries	20,121	21,330
Employees' Benefits	8,829	9,420
Purchased Services	1,634	2,207
Total Non-Public School Pupil Services	30,584	32,957
 <u>Transfer to Other Schools</u>	32,146	5,022
 TOTAL EXPENDITURES	\$ 9,499,905	\$ 8,826,525

MCBAIN RURAL AGRICULTURAL SCHOOL
MCBAIN, MICHIGAN

FOOD SERVICE FUND
COMPARATIVE BALANCE SHEET

JUNE 30,

	<u>2017</u>	<u>2016</u>
<u>ASSETS</u>		
Cash	\$ 270,624	\$ 250,516
Inventory	2,327	1,804
	<hr/>	
TOTAL ASSETS	\$ 272,951	\$ 252,320
	<hr/> <hr/>	
<u>LIABILITIES AND FUND BALANCE</u>		
<u>LIABILITIES</u>		
Accounts Payable	\$ 7,723	\$ 7,419
Due to Other Funds	156,575	154,522
	<hr/>	
Total Liabilities	164,298	161,941
	<hr/>	
<u>FUND BALANCE</u>		
Nonspendable		
Inventory	2,327	1,804
Restricted for Food Service	106,326	88,575
	<hr/>	
Total Fund Balance	108,653	90,379
	<hr/>	
TOTAL LIABILITIES AND FUND BALANCE	\$ 272,951	\$ 252,320
	<hr/> <hr/>	

MCBAIN RURAL AGRICULTURAL SCHOOL
MCBAIN, MICHIGAN

FOOD SERVICE FUND
COMPARATIVE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE

YEAR ENDED JUNE 30,

	<u>2017</u>	<u>2016</u>
<u>REVENUES</u>		
Local Sources		
Earnings on Investments and Deposits	\$ 44	\$ 39
Food Sales	139,146	149,218
State Sources		
State Aid - Regular	12,798	17,604
Prior Period Adjustment	0	316
Federal Sources		
Federal Aid	250,435	263,242
U.S.D.A. Donated Commodities	19,950	26,102
	<hr/>	<hr/>
Total Revenues	422,373	456,521
	<hr/>	<hr/>
<u>EXPENDITURES</u>		
Salaries	87,768	96,502
Employee Benefits	81,605	76,839
Purchased Services	9,339	7,098
Supplies and Materials	224,063	237,166
Other Expenses	1,324	744
	<hr/>	<hr/>
Total Expenditures	404,099	418,349
	<hr/>	<hr/>
Excess (Deficiency) of Revenues Over Expenditures	18,274	38,172
<u>FUND BALANCE</u> - Beginning of Year	<hr/>	<hr/>
	90,379	52,207
<u>FUND BALANCE</u> - End of Year	<hr/>	<hr/>
	\$ 108,653	\$ 90,379
	<hr/>	<hr/>

MCBAIN RURAL AGRICULTURAL SCHOOL
MCBAIN, MICHIGAN

SCHOOL OPERATED PUBLIC LIBRARY FUND
COMPARATIVE BALANCE SHEET

JUNE 30,

	<u>2017</u>	<u>2016</u>
<u>ASSETS</u>		
Cash	\$ 20,772	\$ 10,004
Investments	30,765	32,926
	<hr/>	<hr/>
TOTAL ASSETS	\$ 51,537	\$ 42,930
	<hr/> <hr/>	<hr/> <hr/>
<u>LIABILITIES AND FUND BALANCE</u>		
<u>LIABILITIES</u>		
Due to Other Funds	\$ 0	\$ 0
<u>FUND BALANCE</u>		
Restricted for Library Services	51,537	42,930
	<hr/>	<hr/>
TOTAL LIABILITIES AND FUND BALANCE	\$ 51,537	\$ 42,930
	<hr/> <hr/>	<hr/> <hr/>

MCBAIN RURAL AGRICULTURAL SCHOOL
MCBAIN, MICHIGAN

SCHOOL OPERATED PUBLIC LIBRARY FUND
COMPARATIVE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE

YEAR ENDED JUNE 30,

	<u>2017</u>	<u>2016</u>
<u>REVENUES</u>		
Local Sources		
Earnings on Investments and Deposits	\$ 229	\$ 90
Copies, Book Fines & Miscellaneous	2,462	2,244
Intermediate Sources		
Penal Fines	19,159	18,979
State Sources		
Library State Aid	1,910	1,817
	<hr/>	<hr/>
Total Revenues	23,760	23,130
	<hr/>	<hr/>
<u>EXPENDITURES</u>		
Purchased Services	1,648	1,390
Supplies and Materials	6,999	5,886
Other Expenses	6,506	0
	<hr/>	<hr/>
Total Expenditures	15,153	7,276
	<hr/>	<hr/>
Excess (Deficiency) of Revenues Over Expenditures	8,607	15,854
<u>FUND BALANCE</u> - Beginning of Year	42,930	27,076
	<hr/>	<hr/>
<u>FUND BALANCE</u> - End of Year	\$ 51,537	\$ 42,930
	<hr/>	<hr/>

MCBAIN RURAL AGRICULTURAL SCHOOL
MCBAIN, MICHIGAN

DEBT SERVICE FUNDS
COMBINING BALANCE SHEET

JUNE 30, 2017

WITH COMPARATIVE TOTALS FOR YEAR ENDED JUNE 30, 2016

	2011	2012	2014	2016	TOTALS	
	Debt Fund	Debt Fund	Debt Fund	Debt Fund	2017	2016
<u>ASSETS</u>						
Cash	\$ 9,288	\$ 4,727	\$ 37,966	\$ 7,798	\$ 59,779	\$ 106,412
Due from Other Funds	0	9,288	0	0	9,288	0
TOTAL ASSETS	\$ 9,288	\$ 14,015	\$ 37,966	\$ 7,798	\$ 69,067	\$ 106,412
<u>LIABILITIES AND FUND BALANCE</u>						
<u>LIABILITIES</u>						
Due to Other Funds	\$ 9,288	\$ 0	\$ 0	\$ 600	\$ 9,888	\$ 0
<u>FUND BALANCE</u>						
Restricted for Debt Service	0	14,015	37,966	7,198	59,179	106,412
TOTAL LIABILITIES AND FUND BALANCE	\$ 9,288	\$ 14,015	\$ 37,966	\$ 7,798	\$ 69,067	\$ 106,412

MCBAIN RURAL AGRICULTURAL SCHOOL
MCBAIN, MICHIGAN

DEBT SERVICE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE

YEAR ENDED JUNE 30, 2017
WITH COMPARATIVE TOTALS FOR YEAR ENDED JUNE 30, 2016

	2011	2012	2014	2016	<u>TOTALS</u>	
	Debt Fund	Debt Fund	Debt Fund	Debt Fund	2017	2016
<u>REVENUES</u>						
Local Sources						
Property Tax Levy	\$ 221,558	\$ 91,085	\$ 155,091	\$ 12,315	\$ 480,049	\$ 475,777
Earnings on Investments and Deposits	18	6	9	1	34	44
Federal Sources						
Federal Interest Credit	9,478	0	0	0	9,478	18,054
Total Revenues	231,054	91,091	155,100	12,316	489,561	493,875
<u>EXPENDITURES</u>						
Redemption on Serial Bonds	275,000	95,000	120,000	8,321	498,321	480,000
Interest on Building and Site Bonds	10,175	8,778	17,245	0	36,198	47,658
Dues and Fees	1,075	575	625	0	2,275	3,976
Total Expenditures	286,250	104,353	137,870	8,321	536,794	531,634
Excess (Deficiency) of Revenues Over Expenditures	(55,196)	(13,262)	17,230	3,995	(47,233)	(37,759)
<u>OTHER FINANCING SOURCES (USES)</u>						
Transfer In	0	9,288	0	0	9,288	3,778
Transfer Out	(9,288)	0	0	0	(9,288)	0
Total Other Financing Sources (Uses)	(9,288)	9,288	0	0	0	3,778
Net Change in Fund Balance	(64,484)	(3,974)	17,230	3,995	(47,233)	(33,981)
<u>FUND BALANCE</u> - Beginning of Year	64,484	17,989	20,736	3,203	106,412	140,393
<u>FUND BALANCE</u> - End of Year	\$ 0	\$ 14,015	\$ 37,966	\$ 7,198	\$ 59,179	\$ 106,412

MCBAIN RURAL AGRICULTURAL SCHOOL
MCBAIN, MICHIGAN

CAPITAL PROJECT FUND
COMPARATIVE BALANCE SHEET

JUNE 30,

	<u>2017</u>	<u>2016</u>
<u>ASSETS</u>		
Investments	\$ 687,067	\$ 478,120
<u>LIABILITIES AND FUND BALANCE</u>		
<u>LIABILITIES</u>	\$ 0	\$ 0
<u>FUND BALANCE</u>		
Committed for Capital Projects	687,067	478,120
TOTAL LIABILITIES AND FUND BALANCE	\$ 687,067	\$ 478,120

MCBAIN RURAL AGRICULTURAL SCHOOL
MCBAIN, MICHIGAN

CAPITAL PROJECT FUND
COMPARATIVE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE

YEAR ENDED JUNE 30,

	<u>2017</u>	<u>2016</u>
<u>REVENUES</u>		
Local Sources		
Earnings on Investments and Deposits	\$ 3,452	\$ 1,199
Proceeds from Insurance	205,795	0
	<hr/>	<hr/>
Total Revenues	209,247	1,199
 <u>EXPENDITURES</u>		
Capital Outlay		
Buildings, Site Improvements, Furniture and Equipment	300	78,064
	<hr/>	<hr/>
Excess (Deficiency) of Revenues Over Expenditures	208,947	(76,865)
 <u>FUND BALANCE</u> - Beginning of Year	<hr/> 478,120	<hr/> 554,985
 <u>FUND BALANCE</u> - End of Year	<hr/> <hr/> \$ 687,067	<hr/> <hr/> \$ 478,120

MCBAIN RURAL AGRICULTURAL SCHOOL
MCBAIN, MICHIGAN

2014 AUDITORIUM CAPITAL PROJECT FUND
COMPARATIVE BALANCE SHEET

JUNE 30,

	<u>2017</u>		<u>2016</u>
<u>ASSETS</u>			
Restricted Cash	\$	0	\$ 656,720
<u>LIABILITIES AND FUND BALANCE</u>			
<u>LIABILITIES</u>			
Accounts Payable	\$	0	\$ 175,158
<u>FUND BALANCE</u>			
Restricted for Capital Projects		0	481,562
 TOTAL LIABILITIES AND FUND BALANCE	\$	0	\$ 656,720

MCBAIN RURAL AGRICULTURAL SCHOOL
MCBAIN, MICHIGAN

2014 AUDITORIUM CAPITAL PROJECT FUND
COMPARATIVE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE

YEAR ENDED JUNE 30,

	2017	2016
<u>REVENUES</u>		
Local Sources		
Earnings on Investments and Deposits	\$ 40	\$ 7,397
<u>EXPENDITURES</u>		
Capital Outlay		
Buildings and Site Improvements	377,134	3,720,970
Excess (Deficiency) of Revenues Over Expenditures	(377,094)	(3,713,573)
<u>OTHER FINANCING SOURCES (USES)</u>		
Transfer In	0	300,000
Transfer Out	(104,468)	0
Total Other Financing Sources (Uses)	(104,468)	300,000
Net Change in Fund Balance	(481,562)	(3,413,573)
<u>FUND BALANCE</u> - Beginning of Year	481,562	3,895,135
<u>FUND BALANCE</u> - End of Year	\$ 0	\$ 481,562

MCBAIN RURAL AGRICULTURAL SCHOOL
MCBAIN, MICHIGAN

2016 CAPITAL PROJECT FUND
COMPARATIVE BALANCE SHEET

JUNE 30,

	<u>2017</u>	<u>2016</u>
<u>ASSETS</u>		
Restricted Cash	\$ 117,921	\$ 495,094
<u>LIABILITIES AND FUND BALANCE</u>		
<u>LIABILITIES</u>		
	\$ 0	\$ 0
<u>FUND BALANCE</u>		
Restricted for Capital Projects	117,921	495,094
 TOTAL LIABILITIES AND FUND BALANCE	 \$ 117,921	 \$ 495,094

MCBAIN RURAL AGRICULTURAL SCHOOL
MCBAIN, MICHIGAN

2016 CAPITAL PROJECT FUND
COMPARATIVE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE

YEAR ENDED JUNE 30,

	2017	2016
<u>REVENUES</u>		
Local Sources		
Earnings on Investments and Deposits	\$ 30	\$ 8
<u>EXPENDITURES</u>		
Capital Outlay	377,203	1,136
Excess of Revenues Over (Under) Expenditures	(377,173)	(1,128)
<u>OTHER FINANCING SOURCES (USES)</u>		
Face Value of Bonds Issued	0	500,000
Transfer Out	0	(3,778)
Total Other Financing Sources (Uses)	0	496,222
Net Change in Fund Balance	(377,173)	495,094
<u>FUND BALANCE</u> - Beginning of Year	495,094	0
<u>FUND BALANCE</u> - End of Year	\$ 117,921	\$ 495,094

MCBAIN RURAL AGRICULTURAL SCHOOL

MCBAIN, MICHIGAN

AGENCY FUND

STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS

YEAR ENDED JUNE 30, 2017

	BALANCE 6/30/16	RECEIPTS (Including Transfers)	DISBURSEMENTS	BALANCE 6/30/17
Athletic	\$ 19,203	\$ 66,361	\$ 64,803	\$ 20,761
Auditorium Grand Opening	0	5,000	4,137	863
Band Supplies	9,646	37,410	30,403	16,653
Choir	6,149	68,389	70,888	3,650
Class of 2014	89	0	0	89
Class of 2015	136	0	0	136
Class of 2016	321	0	0	321
Class of 2017	1,540	43,482	44,937	85
Class of 2018	3,323	2,176	932	4,567
Class of 2019	769	3,967	2,247	2,489
Class of 2020	86	2,270	1,145	1,211
Class of 2021	2,047	1,058	2,451	654
Class of 2022	0	2,783	2,187	596
Class of 2023	0	178	0	178
Co-Ed Basketball	121	0	0	121
Drama	0	1,322	649	673
Elementary Account	8,323	38,938	35,366	11,895
Flower Fund	581	1,456	510	1,527
Fun Funds	920	3,947	4,521	346
Journalism Register	0	216	152	64
Jr. High Student Council	527	516	375	668
Library	57	0	0	57
Meekhof	6,500	0	3,400	3,100
National Honor Society	280	0	0	280
Project H.E.R.O.	294	1,925	2,051	168
Prom	198	7,895	8,037	56
Robotics	(10)	17,173	14,315	2,848
Student Council	380	2,483	2,020	843
Water Lounge	(80)	572	435	57
Yearbook	3,590	8,769	8,877	3,482
	<u>\$ 64,990</u>	<u>\$ 318,286</u>	<u>\$ 304,838</u>	<u>\$ 78,438</u>
Represented by				
Assets				
Cash	<u>\$ 64,990</u>			<u>\$ 78,438</u>
Liabilities				
Due to Groups and Organizations	<u>\$ 64,990</u>			<u>\$ 78,438</u>

MCBAIN RURAL AGRICULTURAL SCHOOL
MCBAIN, MICHIGAN

2011 SCHOOL BUILDING IMPROVEMENT BOND PAYMENT SCHEDULE

JUNE 30, 2017

<u>TITLE OF ISSUE</u>	2011 School Building Improvement Bonds	
<u>PURPOSE</u>	For Building Improvements	
<u>DATE OF ISSUE</u>	December 29, 2011	
<u>INTEREST PAYABLE</u>	May 1, and November 1, of each year	
<u>AMOUNT OF ISSUE</u>		\$ 1,200,000
<u>AMOUNT REDEEMED</u>		
Prior to Current Year	\$ 925,000	
During Current Year	275,000	1,200,000
<u>BALANCE OUTSTANDING</u> - June 30, 2017		<u><u>\$ 0</u></u>

MCBAIN RURAL AGRICULTURAL SCHOOL
MCBAIN, MICHIGAN

2012 SCHOOL BUILDING IMPROVEMENT BOND PAYMENT SCHEDULE

JUNE 30, 2017

<u>TITLE OF ISSUE</u>	2012 School Building Improvement Bond		
<u>PURPOSE</u>	For Building Improvements		
<u>DATE OF ISSUE</u>	November 1, 2012		
<u>INTEREST PAYABLE</u>	May 1, and November 1, of each year		
<u>AMOUNT OF ISSUE</u>		\$	995,000
<u>AMOUNT REDEEMED</u>			
Prior to Current Year	\$	370,000	
During Current Year		95,000	465,000
			465,000
<u>BALANCE OUTSTANDING - June 30, 2017</u>		\$	530,000

<u>DUE DATES</u>	<u>INTEREST RATE</u>	<u>REQUIREMENTS</u>		
		<u>TOTAL</u>	<u>INTEREST</u>	<u>PRINCIPAL</u>
November 1, 2017		\$ 3,842	\$ 3,842	\$ 0
May 1, 2018	1.15%	268,842	3,842	265,000
November 1, 2018		2,054	2,054	0
May 1, 2019	1.55%	267,054	2,054	265,000
		\$ 541,792	\$ 11,792	\$ 530,000
		\$ 541,792	\$ 11,792	\$ 530,000

MCBAIN RURAL AGRICULTURAL SCHOOL
MCBAIN, MICHIGAN

2014 SCHOOL TECHNOLOGY AND BUS BOND PAYMENT SCHEDULE

JUNE 30, 2017

<u>TITLE OF ISSUE</u>	2014 School Technology and Bus Bonds		
<u>PURPOSE</u>	Technology and Bus Purchase		
<u>DATE OF ISSUE</u>	July 29, 2014		
<u>INTEREST PAYABLE</u>	May 1, and November 1, of each year		
<u>AMOUNT OF ISSUE</u>		\$	995,000
<u>AMOUNT REDEEMED</u>			
Prior to Current Year		\$	170,000
During Current Year			120,000
			290,000
<u>BALANCE OUTSTANDING</u> - June 30, 2017		\$	705,000

<u>DUE DATES</u>	<u>INTEREST RATE</u>	<u>REQUIREMENTS</u>		
		<u>TOTAL</u>	<u>INTEREST</u>	<u>PRINCIPAL</u>
November 1, 2017		\$ 7,722	\$ 7,722	\$ 0
May 1, 2018	1.50%	222,722	7,722	215,000
November 1, 2018		5,680	5,680	0
May 1, 2019	2.15%	220,680	5,680	215,000
November 1, 2019		3,369	3,369	0
May 1, 2020	2.45%	278,369	3,369	275,000
		\$ 738,542	\$ 33,542	\$ 705,000
		\$ 738,542	\$ 33,542	\$ 705,000

MCBAIN RURAL AGRICULTURAL SCHOOL
MCBAIN, MICHIGAN

2016 SCHOOL TECHNOLOGY AND BUS BOND PAYMENT SCHEDULE

JUNE 30, 2017

<u>TITLE OF ISSUE</u>	2016 School Technology and Bus Bonds		
<u>PURPOSE</u>	Technology and Bus Purchase		
<u>DATE OF ISSUE</u>	June 2, 2016		
<u>INTEREST PAYABLE</u>	May 1, and November 1, of each year		
<u>AMOUNT OF ISSUE</u>		\$	500,000
<u>AMOUNT REDEEMED</u>			
Prior to Current Year	\$	0	
During Current Year		0	0
			<u>0</u>
<u>BALANCE OUTSTANDING</u> - June 30, 2017		\$	<u>500,000</u>

<u>DUE DATES</u>	<u>INTEREST RATE</u>	<u>REQUIREMENTS</u>		
		<u>TOTAL</u>	<u>INTEREST</u>	<u>PRINCIPAL</u>
November 1, 2017		\$ 4,553	\$ 4,553	\$ 0
May 1, 2018	1.10%	4,553	4,553	0
November 1, 2018		4,553	4,553	0
May 1, 2019	1.90%	4,553	4,553	0
November 1, 2019		4,553	4,553	0
May 1, 2020	2.15%	164,553	4,553	160,000
November 1, 2020		3,272	3,272	0
May 1, 2021	2.15%	173,272	3,272	170,000
November 1, 2021		1,700	1,700	0
May 1, 2022	2.45%	171,700	1,700	170,000
		<u>\$ 537,262</u>	<u>\$ 37,262</u>	<u>\$ 500,000</u>

