Stephenson & Company, P.C.
Certified Public Accountants & Consultants

Alan J. Stephenson, CPA
Donald W. Brannan, CPA
Kyle E. Troyer, CPA
Robert J. Morand, CPA
Brenden A. Stephenson, CPA/PFS,CFP®
Cynthia R. Scott, CPA, CFE

OSCODA AREA SCHOOLS
IOSCO COUNTY, MICHIGAN

AUDITORS' REPORT
YEAR ENDED JUNE 30, 2018

Offices:
East Tawas
West Branch
Mio

317 W. Houghton, P.O. Box 159, West Branch, MI 48661
www.scopc.com
989-345-0850 • 989-345-4251 Fax

Members:
AICPA
MICPA

INDEX

AUDITORS' REPORT

Stephenson & Company, P.C.
Certified Public Accountants & Consultants

Alan J. Stephenson, CPA
Donald W. Brannan, CPA
Kyle E. Troyer, CPA
Robert J. Morand, CPA
Brenden A. Stephenson, CPA/PFS,CFP®
Cynthia R. Scott, CPA, CFE

September 14, 2018

Independent Auditors' Report

Board of Education
Oscoda Area Schools
Iosco County, Michigan

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Oscoda Area Schools, Iosco County, Michigan, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements as listed in the index.

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.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of the Oscoda Area Schools, Iosco County, Michigan, as of June 30, 2018, 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.

Emphasis of Matter

As described in Note 2, Oscoda Area Schools has implemented GASB Statement No. 75, "Accounting and Financial Reporting for Postemployment Benefits Other than Pensions", as of June 30, 2018. Our opinion is not modified with respect to this matter.

Offices:
East Tawas
West Branch
Mio

317 W. Houghton, P.O. Box 159, West Branch, MI 48661
www.scopc.com
989-345-0850 • 989-345-4251 Fax

Members:
AICPA
MICPA

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Oscoda Area Schools' basic financial statements. The combining nonmajor fund financial statements and individual fund schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 14, 2018, included in the Single Audit Report issued under a separate cover, on our consideration of the Oscoda Area Schools' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Oscoda Area Schools' internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Oscoda Area Schools' internal control over financial reporting and compliance.

Stephenson & Company, P.C.

Oscoda Area Schools

Board of Education Office
3550 River Road • Oscoda, Michigan 48750

(989) 739-2033
FAX (989) 739-2325

Management's Discussion and Analysis
For Fiscal Year Ended June 30, 2018

The following section presents the administration's discussion and analysis of Oscoda Area Schools' financial performance during the year ended June 30, 2018. Please read it in conjunction with the financial statements and other supplemental information included in the Audit. This Analysis is a requirement of Governmental Accounting Standards Board Statement 34 (GASB 34).

Generally accepted accounting principles (GAAP), according to GASB 34, requires the reporting of two types of financial statements: Fund Financial Statements and District -Wide Financial Statements.

Fund Financial Statements

The fund level statements are reported on a modified accrual basis. Liabilities are recognized to the extent they are normally expected to be paid with current financial resources. Purchased capital assets are reported as expenditures in the year of acquisition. Fund financial statements report the School District's operations in more detail than the district-wide financial statements. Fund statements are provided for the General Fund, Capital Projects and Sinking Funds, Debt Service Funds and Food Service Fund.

District-Wide Financial Statements

The district-wide financial statements are reported using the full accrual basis of accounting. With this method, all of the District's assets and liabilities, and all of the current year revenues and expenditures, are reported regardless of when cash is received or paid. Capital assets and long-term obligations of the District are reported on the Statement of Net Position.

Summary of Net Position:

The comparative analysis for the net position at June 30, 2018 and June 30, 2017 follows:

Net Position Summary
District-Wide Activities

	June 30, 2018	June 30, 2017
Assets		
Current Assets	$ 4,955,501	$ 3,860,538
Capital Assets	10,654,065	12,686,633
Total Assets	**15,609,566**	**16,547,171**
Deferred Outflows of Resources	**4,601,522**	**3,362,518**
Liabilities		
Current Liabilities	1,496,231	1,475,660
Long-Term Liabilities	32,391,023	32,592,180
Total Liabilities	**33,887,254**	**34,067,840**

Net Position Summary
District-Wide Activities

	June 30, 2018	June 30, 2017
Deferred Inflows of Resources	**$ 2,149,243**	**$ 598,509**
Net Position		
Net Investment in Capital Assets	2,882,679	4,804,785
Restricted	1,001,563	73,456
Unrestricted (Deficit) (Restated)	(19,709,651)	(19,634,901)
Total Net Position	**$ (15,825,409)**	**$ (14,756,660)**

Analysis of Financial Position:

During the fiscal year ended June 30, 2018, the District's net position decreased by $1,068,749.

Some of the significant factors affecting net position during the year are discussed below. A reconciliation of the change in fund balance and the change in net position can be found in the Reconciliation of the Statement of Revenue, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities in this report.

1. Change in Fund Balance
The change in fund balance for the district's governmental funds was an increase of $1,074,655. This was mainly the result of the District's new 2018 Sinking Fund Bond fund which had an increase of almost $900,000 as well as various smaller increases in other District funds in the current year.

The change in the General Fund was an increase of $29,169, which was primarily due to various increases in revenues offset by smaller increases in expenditures.

2. Capital Outlay Acquisitions
Actual capital outlay acquisitions for the fiscal year were $391,706 plus $8,548 of prior year construction in progress, funded from the Sinking Fund and the General Fund. These acquisitions were for the School District purchasing a tractor for $19,300, a utility vehicle for $9,500, a van for $16,915, an SUV for $7,955, a bus for $33,243, a bus for $3,850, a finish line camera for $6,581, a new steam coil for the auditorium for $8,140, a fire alarm panel for $7,320, and site improvements totaling $136,000 for paving the high school driveway. In addition, the School District had finished its AC unit project at the Elementary School totaling $13,898. The School District started a renovation project at the Elementary School resulting in $136,512 in construction in progress, and there was also construction in progress of $1,040 for bathroom and water fountain renovation at the High School. In the Statement of Activities, the cost of capitalized expenses is allocated over the estimated life of the asset.

3. Depreciation
GASB 34 requires school districts to maintain a record of annual depreciation expense and accumulated depreciation. The net increase in accumulated depreciation is a reduction in net position. For the fiscal year ended June 30, 2018 the depreciation expense was $680,786.

4. Repayment of Principal
The repayment of debt decreases the District's long-term obligations and increases net position. The amount of debt principal repayment during the fiscal year was $1,145,000.

Results of Operations:
For the fiscal years ended June 30, 2018 and June 30, 2017, the District-wide results of operations were:

	2018	2017
General Revenues:		
Property Taxes levied for General Purposes	$ 6,142,535	$ 6,095,998
Property Taxes levied for Debt Services	1,382,439	1,353,900
Property Taxes – Sinking Fund	298,307	321,936
State of Michigan Aid – Unrestricted	2,689,671	2,686,085
Gain (Loss) on Disposal of Capital Assets	(11,661)	2,080
Investment Earnings and Miscellaneous	60,487	27,854
Total General Revenues	**10,561,778**	**10,487,853**
Program Revenues:		
Charges for Services	590,450	639,376
Operating Grants and Contributions	3,158,518	2,874,859
Capital Grants and Contributions	0	25,300
Total Program Revenues	**3,748,968**	**3,539,535**
Total Revenues	**14,310,746**	**14,027,388**
Expenses:		
Instruction	7,714,936	7,571,075
Support Services	4,531,298	4,413,813
Community Services	61,320	36,096
Athletics	377,484	356,941
Food Services	730,451	728,261
Interest on Long-Term Debt	228,784	247,843
Bond Issuance Costs	20,784	0
Total Expenses	**13,665,057**	**13,354,029**
Increase (Decrease) in Net Position Before Special Items	**645,689**	**673,359**
Special Item	**(1,714,438)**	**(890,354)**
Increase (Decrease) In Net Position	**$ (1,068,749)**	**$ (216,995)**

1. Property Taxes
The District levies 18 mills of property taxes on non-homestead property. Commercial property is exempt for 6 of the 18 mills. This revenue is one component of the total per pupil foundation allowance set by the State of Michigan. As noted in the Results of Operations, the property taxes generated General Fund revenue of a little over $6 million during the fiscal year ended June 30, 2018.

The District levied 1.88 mills for debt service on the 2016 Refunding Bond, 2015 Refunding Bond, and the 2015 Athletic Bond. The debt service revenue generated was $1,097,796 and was included in debt service funds. In addition, the District levied 1.00 mills for Sinking Fund Activities. The sinking fund revenue generated was $582,950 of which $284,643 was dedicated for Sinking Fund debt retirement and $298,307 was for allowable Sinking Fund capital projects activity.

2. State of Michigan Aid, Unrestricted
The State of Michigan pays a portion of the foundation allowance as unrestricted aid based upon the following variables: the per pupil foundation allowance, student enrollment and the District's non-homestead property tax levy. The non-homestead property taxes are deducted from the calculated total foundation allowance to determine the amount paid by the State of Michigan.

As noted in the Results of Operations above, Unrestricted State Aid was $2.69 million. The portion of the foundation allowance payment that is restricted for special education was $.39 million and is included under Program Revenue.

a. **State of Michigan State Aid Act- per pupil foundation allowance**. The stated foundation allowance was $7,631 per pupil.

b. **Student Enrollment-**The District's blended pupil count for the 2017-18 was 1,161 students. This was a reduction of 10 pupils from the prior year blended count. This reflected the average of the blended counts for fiscal 2016-2018. The average membership of 1,161, multiplied by the foundation allowance resulted in a total foundation allowance of about $8.9 million.

Total Revenues
The total revenues of the District were over $14.4 million, an increase of about $.45million from the previous year. This increase was primarily due to an increase in the At Risk revenue of about $133,000 an increase in the MSPERS revenue of about $134,000, an increase in the Special Education Grant revenue of about $66,000, an increase in food service revenues of about $45,000 due to more meals being served during the year and the after school meal program, and a $51,000 increase in Title II due to carryover from the prior year.

Program specific revenues in the form of charges for services, grants and contributions accounted for $3.75 million or 26% of the total. As noted on the Statement of Activities of this report, general revenues including unrestricted state aid and property taxes provided 74% of the total.

General Fund Budget and Actual Results
The Uniform Budgeting and Accounting Act of the State of Michigan requires that the Board of Education approve the original budget for the fiscal year prior to July 1, before student enrollment counts, approved federal grant awards and other information is known. Therefore, it is expected that there will be changes between the initial budget and subsequent amendments, as more information becomes available. The budget was amended in November, March and June. Page 50 of the Audit summarizes the comparative budget and actual results.

General Fund Revenue – Actual vs. Budget
Total General Fund revenue was $86,136 less than budgeted. This was primarily due to receiving $53,436 less in federal grant revenue than what was budgeted for in 2018. A detailed comparison of local, state and federal sources for budget and actual revenues can be found in the General Fund Details of Revenue Compared to Budget statement in this report.

General Fund Expenditures vs. Budget
Total expenditures were $213,970 less than budgeted. This was primarily due to support service expenses being significantly less than budgeted, $53,436 of which was due to Federal Grant expenditures that were not spent before year end, as well as various changes in expenditures that were less than expected. A detailed comparison of budgeted and actual expenditures can be found in the General Fund Details of Expenditures Compared to Budget statement in this report.

	Revenue	Expenditures
General Fund:		
Original Budget	$ 11,588,593	$ 11,863,626
Final Budget	12,133,560	12,286,169
Actual	12,047,424	12,072,199
Variance	$ 86,136	$ 213,970
% of Budget	0.71%	1.74%

Capital Asset and Long-Term Liability Administration

Capital Assets

At the end of the fiscal year 2018, the District had $22.70 million invested in land and buildings, site improvements, furniture and equipment and vehicles and buses measured at historical cost. Of this amount, $12.05 million has been depreciated. Net book value was $10.65 million at the end of the fiscal year 2018, a decrease of about $2.04 million from the previous year. Capital asset purchases totaled $400,254 and are detailed out on page 4, under Capital Outlay Acquisitions.

Capital asset disposals during the year consisted primarily of the Cedar Lake Elementary Building and the Glennie Elementary Building. The Cedar Lake building and associated items totaled $3,591,349 in disposals and the Glennie building and associated items totaled $707,051. There was also the disposal of two buses for $97,894, a lawnmower and other various equipment totaling $29,092 and various copy machines no longer in use for $74,282, as well as the transfer of construction in progress, which had a carrying value of $8,548, as the projects had been completed. These disposals resulted in a loss on sale of school buildings, which was considered a special item of $1,714,438 and a loss on sale of capital assets of $11,661. Additional information on the District's capital assets can be found in Note 5 of this report.

Long-Term Debt

At June 30, 2018, the District had $7.975 million in principal outstanding on long-term bonds. The bond principal payments for the year of $1,145,000, combined with the 2018 School Improvement Bond proceeds of $995,000, resulted in a net decrease of $150,000 in the Districts long-term debt obligations. Additional information on the District's long-term debt can be found in Note 7 of this report.

Net Pension Liability

At June 30, 2018, the District's Net Pension Liability amounted to $17,850,353. This constitutes their unfunded pension benefit obligation as of the measurement date of the Michigan Public School Employees Retirement System Plan. Additional information on the District's Net Pension Liability can be found in Note 11 of this report.

Net OPEB Liability

At June 30, 2018, the District's Net OPEB Liability amounted to $6,132,988. This constitutes their unfunded OPEB obligation as of the measurement date of the Michigan Public School Employees Retirement System Plan. Additional information on the District's Net OPEB Liability can be found in Note 12 of this report.

Economic Factors and Next Year's Budgets

The General Fund Budget for 2018-19 was adopted in June 2018 based upon estimates of fall enrollment and state aid payments. Approximately 74% of total General Fund revenue for Oscoda Area Schools is from the foundation allowance. Under State law, the school district cannot assess additional property tax revenue for general operations. Accordingly, the District is heavily dependent upon the State's ability to fund the appropriations to local schools. The District will amend the budget periodically to reflect final student counts, state aid payments and other funding and expenditure changes.

Requests for Information

This financial report is designed to provide a general overview of the District's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to:

Oscoda Area Schools
Business Office
3550 River Road
Oscoda, MI 48750
(989) 739-2033

OSCODA AREA SCHOOLS
Iosco County, Michigan

STATEMENT OF NET POSITION
June 30, 2018

	Governmental Activities
Assets	
Cash and Cash Equivalents (Note 3)	$ 3,388,077
Cash with Fiscal Agent (Note 3)	960
Receivables:	
Accounts, Net	4,017
Due from Other Governmental Units	1,426,619
Inventory:	
Supplies	10,350
Building Trades Homes	70,035
Prepaid Items	55,443
Noncurrent Assets:	
Capital Assets Not Being Depreciated (Note 5)	232,085
Capital Assets Being Depreciated (Note 5)	10,421,980
Total Assets	15,609,566
Deferred Outflows of Resources	
Deferred Charge on Refunding	339,859
Deferred Amount on Pension Expense Related to Net Pension Liability (Note 11)	3,914,912
Deferred Amount on OPEB Expense Related to Net OPEB Liability (Note 12)	346,751
Total Deferred Outflows of Resources	4,601,522
Liabilities	
Accounts Payable	127,740
Due to Other Units	5,243
Interest Payable	28,833
Payroll Deductions and Withholdings	277,070
Accrued Expenses	254,986
Salaries Payable	747,481
Unearned Revenue (Note 8)	54,878
Long-Term Liabilities	
Due Within One Year (Note 7)	1,045,861
Due in More Than One Year (Note 7)	7,361,821
Net Pension Liability (Note 11)	17,850,353
Net OPEB Liability (Note 12)	6,132,988
Total Liabilities	33,887,254
Deferred Inflows of Resources	
Deferred Amount on Net Pension Liability (Note 11)	1,931,047
Deferred Amount on Net OPEB Liability (Note 12)	218,196
Total Deferred Inflows of Resources	2,149,243
Net Position	
Net Investment in Capital Assets	2,882,679
Restricted For:	
Debt Retirement	990,816
Capital Projects	10,747
Unrestricted (Deficit)	(19,709,651)
Total Net Position	$ (15,825,409)

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

OSCODA AREA SCHOOLS
Iosco County, Michigan

STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2018

		Program Revenues			Net (Expenses) Revenue and Change in Net Position
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Government Type Activities
Instruction	$ 7,714,936	$ 759	$ 1,574,951	$ 0	$ (6,139,226)
Support Services	4,531,298	326,480	924,972	0	(3,279,846)
Community Services	61,320	54,449	11,500	0	4,629
Athletics	377,484	87,678	27,027	0	(262,779)
Food Services	730,451	121,084	620,068	0	10,701
Interest on Long-Term Debt	228,784	0	0	0	(228,784)
Bond Issuance Costs	20,784	0	0	0	(20,784)
Total	$ 13,665,057	$ 590,450	$ 3,158,518	$ 0	(9,916,089)
General Revenues:					
Property Taxes, Levied for General Purposes					6,142,535
Property Taxes, Levied for Debt Purposes					1,382,439
Property Taxes, Levied for Sinking Fund Purposes					298,307
State School Aid - Unrestricted					2,689,671
Investment Earnings					50,743
Gain (Loss) on Disposal of Capital Assets					(11,661)
Miscellaneous					9,744
Special Item - Loss on Sale of School Buildings					(1,714,438)
Total General Revenues and Special Items					8,847,340
Change in Net Position					(1,068,749)
Net Position - Beginning (Restated) (Note 22)					(14,756,660)
Net Position - Ending					$ (15,825,409)

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

OSCODA AREA SCHOOLS
Iosco County, Michigan

BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2018

	General Fund	Debt Retirement Fund: 2018 Sinking Fund Bond	Other Governmental Funds	Total Governmental Funds
Assets				
Cash and Cash Equivalents (Note 3)	$ 2,112,451	$ 996,323	$ 279,303	$ 3,388,077
Cash with Fiscal Agent (Note 3)	960	0	0	960
Receivables:				
Accounts, Net	4,017	0	0	4,017
Due From Other Governmental Units	1,426,619	0	0	1,426,619
Due from Other Funds (Note 4)	111,050	0	149,060	260,110
Inventory:				
Supplies	7,037	0	3,313	10,350
Building Trades Homes	70,035	0	0	70,035
Prepaid Items	55,443	0	0	55,443
Total Assets	$ 3,787,612	$ 996,323	$ 431,676	$ 5,215,611
Liabilities				
Accounts Payable	$ 91,960	$ 0	$ 35,780	$ 127,740
Due to Other Units	5,243	0	0	5,243
Due to Other Funds (Note 4)	35,566	102,602	121,942	260,110
Accrued Expenditures	532,056	0	0	532,056
Salaries Payable	747,481	0	0	747,481
Unearned Revenue (Note 8)	51,590	0	3,288	54,878
Total Liabilities	1,463,896	102,602	161,010	1,727,508
Fund Equity				
Fund Balances:				
Nonspendable:				
Inventory	77,072	0	3,313	80,385
Prepaid Items	55,443	0	0	55,443
Restricted For:				
Debt Retirement	0	893,721	97,095	990,816
Capital Projects	0	0	10,747	10,747
Committed To:				
Community Education Programs	79,061	0	0	79,061
Assigned to:				
Food Service	0	0	159,511	159,511
2018/2019 Budget Expenditures	285,394	0	0	285,394
Employee Vacation and Sick Day Buyouts	296,437	0	0	296,437
Unassigned	1,530,309	0	0	1,530,309
Total Fund Equity	2,323,716	893,721	270,666	3,488,103
Total Liabilities and Fund Equity	$ 3,787,612	$ 996,323	$ 431,676	$ 5,215,611

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

OSCODA AREA SCHOOLS
Iosco County, Michigan

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO NET POSITION OF GOVERNMENTAL ACTIVITIES
June 30, 2018

Total Governmental Fund Balances		$ 3,488,103
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds. Capital assets at the year end consist of:		
Capital Asset Cost	$ 22,699,218	
Capital Asset Accumulated Depreciation	(12,045,153)	
		10,654,065
Certain liabilities are not due and payable in the current period and are not reported in the funds:		
Accrued Interest on Long-term Liabilities		(28,833)
Deferred outflows and inflows of resources related to pensions and OPEB are applicable to future periods and, therefore, are not reported in the funds:		
Deferred outflows of resources from pension expenses subsequent to the measurement date of net pension liability	3,914,912	
Deferred inflows of resources resulting from net pension liability	(1,931,047)	
Deferred outflows of resources from OPEB expenses subsequent to the measurement date of net OPEB liability	346,751	
Deferred inflows of resources resulting from net OPEB liability	(218,196)	
		2,112,420
Long-term liabilities are not due and payable in the current period, and therefore, are not reported as liabilities in the governmental funds. Long-term liabilities at year end consist of:		
Bonds Payable (Net of Unamortized Bond Premium)	(8,111,245)	
Compensated Absences Payable	(296,437)	
Deferred Charge on Refunding	339,859	
Net Pension Liability	(17,850,353)	
Net OPEB Liability	(6,132,988)	
		(32,051,164)
Total Net Position - Governmental Activities		$ (15,825,409)

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

OSCODA AREA SCHOOLS
Iosco County, Michigan

STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2018

	General Fund	Debt Retirement Fund 2018 Sinking Fund Bond	Other Governmental Funds	Total Governmental Funds
Revenue				
Local Sources	$ 6,689,407	$ 1,323	$ 1,810,515	$ 8,501,245
State Sources	4,660,352	0	24,490	4,684,842
Federal Sources	697,665	0	595,578	1,293,243
Total Revenue	12,047,424	1,323	2,430,583	14,479,330
Expenditures				
Current:				
Instruction	7,278,204	0	0	7,278,204
Support Services	4,278,594	0	0	4,278,594
Community Services	99,191	0	0	99,191
Food Services	0	0	692,361	692,361
Athletics	301,201	0	0	301,201
Capital Outlay	115,009	0	297,737	412,746
Debt Service:				
Principal Retirement	0	0	1,145,000	1,145,000
Bond Issuance Costs	0	20,784	0	20,784
Interest and Fees on Long-Term Debt	0	0	188,983	188,983
Total Expenditures	12,072,199	20,784	2,324,081	14,417,064
Excess of Revenue Over (Under) Expenditures	(24,775)	(19,461)	106,502	62,266
Other Financing Sources (Uses)				
Bond Proceeds	0	995,000	0	995,000
Sale of Capital Assets	6,178	0	11,211	17,389
Operating Transfers In (Note 10)	48,138	0	113,866	162,004
Operating Transfers Out (Note 10)	(372)	(81,818)	(79,814)	(162,004)
Total Other Financing Sources (Uses)	53,944	913,182	45,263	1,012,389
Net Change in Fund Balances	29,169	893,721	151,765	1,074,655
Fund Balances - Beginning of Year	2,294,547	0	118,901	2,413,448
Fund Balances - End of Year	$ 2,323,716	$ 893,721	$ 270,666	$ 3,488,103

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

OSCODA AREA SCHOOLS
Iosco County, Michigan

RECONCILIATION OF THE STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2018

Total Net Change in Fund Balances - Governmental Funds		$ 1,074,655
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.		
Current Year Depreciation Expense	$ (680,786)	
Capital Outlays Reported in the Governmental Funds	391,706	
Gain (Loss) on Disposal of Capital Assets	(1,743,488)	
		(2,032,568)
Repayment of the debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. This is the amount of repayments reported as expenditures in the governmental funds.		
Bonds Payable		1,145,000
Governmental funds report district pension and OPEB contributions as expenditures. However, in the statement of activities, the cost of pension or OPEB benefits earned, net of employee contributions, is reported as pension or OPEB expense. The following amounts represent the current year net changes:		
Net Pension Liability	(340,077)	
Net OPEB Liability	335,956	
Actual Pension Contributions and the Cost of Benefits Earned, net of Employee Contributions	1,299,403	
Deferred Inflows on Net Pension Liability	(1,332,538)	
Deferred Inflows on Net OPEB Liability	(218,196)	
		(255,452)
Proceeds from debt are a revenue in the governmental funds, but the proceeds increase long-term liabilities in the statement of net assets. Also, governmental funds report the effect of premiums when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. The net effect of these differences in the treatment of general obligation bonds and related items is as follows:		
Bond Proceeds	(995,000)	
Amortization of Deferred Charge on Refunding and Bond Premiums (Net)	(39,538)	
		(1,034,538)
Expenses are reported on the accrual method in the statement of activities, and recorded as an expenditure when financial resources are used in the governmental funds. The effect of the treatment of these activities is as follows:		
Interest	(263)	
Compensated Absences	34,417	
		34,154
Change in Net Position of Governmental Activities		$ (1,068,749)

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

OSCODA AREA SCHOOLS
Iosco County, Michigan

STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
FIDUCIARY FUND
June 30, 2018

	Student Activity
Assets	
Cash and Cash Equivalents (Note 3)	$ 71,283
Liabilities	
Due to Student Groups	$ 71,283

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Oscoda Area Schools (School District) conform to accounting principles generally accepted in the United States of America (GAAP) applicable to governments. The School District is considered to be a local government unit. The following is a summary of the significant accounting policies:

A. Reporting Entity

The School District operates under an elected School Board (seven members) and provides services to students in grades K-12. The board is responsible for adopting and amending budgets and for administering the school programs in accordance with governing laws.

The accompanying basic financial statements have been prepared in accordance with accounting principles generally accepted (GAAP) in the United States of America as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The School District's reporting entity applies all relevant GASB pronouncements for determining the various governmental organizations to be included in the reporting entity. Oscoda Area Schools' Board of Education (Board) is the primary government which has oversight responsibility and control over all activities related to public school education in the area served by the Oscoda Area Schools. The Board receives funding from local, state, and federal government sources and must comply with the requirements of these funding source entities. As such, the Board is not included in any other governmental "reporting entity" as defined in GASB pronouncements since the Board members are a publicly elected governing body that has separate legal standing and is fiscally independent of other governmental entities.

B. Fund Accounting

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

Governmental Funds

Governmental funds focus on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The following are the School District’s major governmental funds:

General Fund - The General Fund is the general operating fund of the School District. It is used to account for all financial resources except those required to be accounted for in another fund.

2018 Sinking Fund Bond Fund – The 2018 Sinking Fund Bond Fund is used to account for the accumulated resources for, and the payment of, general long-term principal, interest, and related costs.

The other governmental funds of the School District account for grants and other resources whose use is restricted for a particular purpose; the accumulation of resources for, and the payment of debt; and the acquisition or construction of major capital facilities.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Fund Accounting (Continued)

Fiduciary Funds

Fiduciary fund reporting focuses on net position and changes in net position. The School District's fiduciary funds consist of agency funds which are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The agency funds are used to account for amounts held for student and employee groups.

C. Basis of Presentation

Government-wide Financial Statements:

The statement of net position and the statement of activities display information about the School District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The statements distinguish between those activities of the School District that are governmental and those that are considered business-type activities. The School District does not currently have any business-type activities.

The government-wide statements are prepared using the economic resources measurement focus. This differs from the manner in which governmental fund financial statements are prepared. Governmental fund financial statements therefore include reconciliations with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

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

Net position is reported as restricted when constraints placed on net position use are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation. The net position restricted for other purposes result from special revenue funds and the restrictions on their net position use. Restricted assets are used first to fund appropriations before unrestricted assets are used.

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

Fund Financial Statements:

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Basis of Presentation (Continued)

The accounting and reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using the modified accrual basis of accounting and the current financial resources measurement focus. The financial statements for governmental funds are a balance sheet, which generally includes only current assets and current liabilities, and a statement of revenue, expenditures and changes in fund balances, which reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources.

D. Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Fiduciary funds use the accrual basis of accounting.

Revenues – Exchange and Non-exchange Transactions:

Revenues resulting from exchange transactions, in which each party receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenues are recorded in the fiscal year in which the resources are measurable and available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the School District, available means expected to be received within 60 days of the fiscal year-end.

Nonexchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the School District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis. On a modified accrual basis, revenues from nonexchange transactions must also be available before they can be recognized.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at fiscal year-end: property taxes available in advance, interest, tuition, grants, student fees and rentals.

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 that time.

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Basis of Accounting (Continued)

Expenses/Expenditures:

On the accrual basis of accounting, expenses are recognized at the time they are incurred. The fair value of donated commodities used during the year is reported in the operating statement as an expense with a like amount reported as donated commodities revenue.

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation, are not recognized in governmental funds.

E. Cash and Cash Equivalents

During the fiscal year ended June 30, 2018, investments included the Michigan Liquid Asset Fund (MILAF). MILAF is an investment pool managed by PFM Asset Management, which allows school districts within the State of Michigan to pool their funds for investment purposes. Investments in MILAF are valued at cost which equals market value.

For presentation on the financial statements, investments in the cash management pools and investments with an original maturity of three months or less at the time they are purchased by the School District are considered to be cash equivalents. Investments with an initial maturity of more than three months are reported as investments.

F. Receivables

Receivables generally consist of grants, state aid, and other. All receivables are net of estimated uncollectible accounts. Receivables are recognized to the extent the amounts are determined material and substantiated, not only by supporting documentation but also by a reasonable systematic method of determining their existence, completeness, valuation, and collectability.

The allowance for doubtful accounts at June 30, 2018 was $0.

G. Due From Other Governmental Units

This represents amounts receivable from the State of Michigan and other governmental units for federal, state and local reimbursable programs.

H. Prepaid Items

Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both the government-wide and fund financial statements.

I. Inventory – Supplies

Inventory consists of expendable supplies held for consumption. Inventory is stated at cost and recorded as an expenditure/expense in the governmental and government-wide financial statements when used.

J. Inventory – Building Trades Home and Lots

Inventory represents the cost of property purchased for future building sites.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

K. Capital Assets

General capital assets are those assets not specifically related to activities reported in proprietary funds. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net position but are not reported in the fund financial statements.

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

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

Descriptions	Governmental Activities Estimated Lives
Buildings and Improvements	20 - 50 years
Site Improvements	5 - 25 years
Furniture, Fixtures and Equipment	5 - 20 years
Vehicles and Buses	5 - 8 years

L. Interfund Balances

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "due from/to other funds". These amounts are eliminated in the governmental columns of the statement of net position.

M. Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements. In general, payables and accrued liabilities that will be paid from governmental funds are reported as a liability in the fund financial statements at the time they are incurred, to the extent that they will be paid from current, expendable, financial resources. In general, payments made within 60 days after year end are considered to have been made with current available financial resources. However, bonds and other long-term obligations, compensated absences, claims and judgments, contractually required pension contributions and special termination benefits that will be paid from governmental funds are recognized as a liability in the fund financial statements when they become due for payment.

N. Compensated Absences

The School District reports compensated absences in accordance with the provisions of GASB Statement No. 16, "Accounting for Compensated Absences." Sick leave benefits are accrued as a liability using the vesting method. An accrual for earned sick leave is made based on accumulated sick leave and wage rates at year-end, taking into consideration limits specified in the School District's termination policy.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

N. Compensated Absences (Continued)

The entire compensated absences liability is reported on the government-wide financial statements. For the governmental fund financial statements, the current portion of unpaid compensated absences is the amount expected to be paid using expendable available resources. These amounts, if any, are recorded in the account “compensated absences payable” in the fund from which the employees who have accumulated unpaid leave are paid. The noncurrent portion of the liability is not reported in the governmental fund financial statements.

No liability amounts were recorded in governmental fund statements, in accordance with GASB 33, due to the fact that there was a legally enforceable document that set a date for payment of vested benefits subsequent to June 30, 2018.

O. Net Pension Liability

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Michigan Public School Employees Retirement System (MPSERS) and additions to/deductions from MPSERS fiduciary net position have been determined on the same basis as they are reported by MPSERS. 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.

P. Postemployment Benefits Other Than Pensions

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the Michigan Public School Employees Retirement System (MPSERS) and additions to/deductions from MPSERS fiduciary net position have been determined on the same basis as they are reported by MPSERS. 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.

Q. Net Position

Net position represents the difference between assets and deferred outflows of resources less liabilities and deferred inflows of resources. The School District reports three categories of net position as follows:

Net investment in capital assets - consists of net capital assets reduced by outstanding balances of any related debt obligations and deferred inflows of resources attributable to the acquisition, construction, or improvement of those assets and increased by balances of deferred outflows of resources related to those assets.

Restricted net position - net position is considered restricted if their use is constrained to a particular purpose. Restrictions are imposed by external organizations such as federal or state laws or buyers of the School District's bonds. Restricted net position is reduced by liabilities and deferred inflows of resources related to the restricted assets.

Unrestricted net position - consists of all other net position that does not meet the definition of the above two components and is available for general use by the School District.

When an expense is incurred for purposes for which both restricted and unrestricted net position are available, management applies restricted net position first, unless a determination is made to use unrestricted net position. The School District's policy concerning which to apply first varies with the intended use and legal requirements. Management typically makes this decision on a transactional basis at the incurrence of the expenditure.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

R. Fund Balances

In the fund financial statements, governmental funds report aggregate amounts for five classifications of fund balances based on the constraints imposed on the use of these resources. The nonspendable fund balance classification includes amounts that cannot be spent because they are either (a) not in spendable form—prepaid items or inventories; or (b) legally or contractually required to be maintained intact.

The spendable portion of the fund balance comprises the remaining four classifications: restricted, committed, assigned, and unassigned.

Restricted fund balance. This classification reflects the constraints imposed on resources either (a) externally by creditors, grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

Committed fund balance. These amounts can only be used for specific purposes pursuant to constraints imposed by formal school board action—the District's highest level of decision making authority. Those committed amounts cannot be used for any other purpose unless the school board removes the specified use by taking the same type of action imposing the commitment. This classification also includes contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned fund balance. This classification reflects the amounts constrained by the District's "intent" to be used for specific purposes, but are neither restricted nor committed. The school board or personnel authorized by the school board have the authority to assign amounts to be used for specific purposes. Assigned fund balances include all remaining amounts (except negative balances) that are reported in governmental funds, other than the General Fund, that are not classified as nonspendable and are neither restricted nor committed.

Unassigned fund balance. This fund balance is the residual classification for the General Fund. It is also used to report negative fund balances in other governmental funds.

When both restricted and unrestricted resources are available for use, it is the District's policy to use externally restricted resources first, then unrestricted resources—committed, assigned, and unassigned—in order as needed.

S. Property Taxes

The School District levies its property taxes on July 1 and various municipalities collect its property taxes and remit them to the School District through February. The delinquent real property taxes of the School District are purchased by the County, and delinquent personal property taxes continue to be collected by the municipalities and recorded as revenue as they are collected. The County sells tax notes, the proceeds of which have been used to pay the School District for these delinquent real property taxes. These delinquent real property taxes have been recorded as revenue in the current year.

T. Foundation Revenue

The State of Michigan has adopted a foundation grant approach which provides for a specific annual amount of revenue per student based on a state-wide formula. The foundation allowance 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 School District. For the year ended June 30, 2018, the foundation allowance was based on the average of the calendar years 2015, 2016, and 2017 blended pupil membership counts.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

T. Foundation Revenue (Continued)

The state portion of the foundation allowance 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-prequalified property taxes which may be levied at a rate of up to 18 mills. The state revenue is recognized during the foundation period (currently the fiscal year) and is funded through 11 payments from October, 2017 - August, 2017. The local revenue is recognized as outlined in Note 1 Accounting for Property Taxes.

U. State Categorical Revenue

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

V. Interfund Activity

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/ expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds. Repayments from funds responsible for particular expenditures/ expenses to the funds that initially paid for them are not presented on the financial statements.

W. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. During the fiscal year ended June 30, 2018, there was one special item. In the current year, Oscoda Area Schools sold both the Glennie Elementary School Building and the Cedar Lake Elementary School Building resulting in a loss on sale of fixed assets totaling $1,714,438.

X. Economic Dependency

The School District received approximately 32% of their revenue from the Michigan Department of Education. Due to the significance of this revenue source to the School District, the School District is considered to be economically dependent.

Y. Use of Estimates

The process of preparing financial statements in conformity with accounting principles generally accepted in the United States of America requires the use of estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. 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.

Z. Budgetary Policies and Data

The State of Michigan adopted a Uniform Budgeting and Accounting Act (Act) applicable to all local governmental entities in the state. The law requires appropriation acts to be adopted for General and Special Revenue Funds and an informational study for Capital Project Funds of school districts prior to the expenditure of monies in a fiscal year in accordance with GAAP.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Z. Budgetary Policies and Data (Continued)

Oscoda Area Schools follows these procedures in establishing the budgetary data reflected in the financial statements.

1. The School District's Superintendent submits to the Board a proposed budget prior to July 1 of each year. The budget includes proposed expenditures and the means of financing them.

2. A public hearing is conducted to obtain taxpayer comments.

3. Budgeted amounts are as originally adopted, or as amended by the Board throughout the year. Individual amendments were not material in relation to the original appropriations.

4. Appropriations lapse at year-end and therefore cancel all encumbrances. These appropriations are re-established at the beginning of the following year.

AA. Reclassifications

Certain prior year amounts have been reclassified to conform with the current year presentation.

NOTE 2 - CHANGE IN ACCOUNTING PRINCIPLES

For 2018, the School District has implemented Governmental Accounting Standards Board (GASB) Statement Number 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions".

GASB Statement No. 75 improves accounting and financial reporting by state and local governments by establishing standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures for postemployment benefits other than pensions.

For 2020, the School District will be required to implement GASB Statement No. 84 "Fiduciary Activities". GASB Statement No. 84 improves guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported.

NOTE 3 - DEPOSITS AND INVESTMENTS

At year-end, the School District's deposits and investments were reported in the basic financial statements in the following categories:

	Governmental Activities	Fiduciary Funds	Total Primary Government
Cash and Cash Equivalents	$ 3,388,077	$ 71,283	$ 3,459,360
Cash with Fiscal Agents	960	0	960
Total	$ 3,389,037	$ 71,283	$ 3,460,320

NOTE 3 - DEPOSITS AND INVESTMENTS (CONTINUED)

The breakdown between deposits and investments is as follows:

	Primary Government
Bank Deposits (Checking and Savings Accounts and Certificates of Deposit)	$ 230,204
Investments in Financial Institution Pooled Funds	3,229,156
Cash with Fiscal Agents	960
Total	$ 3,460,320

As of June 30, 2018, the School District had the following investments.

Investment Type	Fair Value	Specific Identification Maturities
Investment pools	$ 3,229,156	Daily

Interest Rate Risk

In accordance with its investment policy, the School 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 School District’s cash requirements.

Credit Risk

State law authorizes investments in investment pools as authorized by the Surplus Funds Investment Pool Act, Act No. 367 of the Public Acts of 1982, being sections 129.111 to 129.118 of the Michigan Compiled Laws, composed entirely of instruments that are legal for direct investment by a school district. As of June 30, 2018, the School District’s investment in the MILAF investment pool was rated AAAm by Standard & Poor's.

Concentration of Credit Risk

The School District will minimize concentration of credit risk, which is the risk of loss attributed to the magnitude of the School 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. Investments in U.S. Treasury securities and those other securities completely guaranteed by the Treasury as to payment of principal and interest may be purchased in any dollar amount or up to 100% of the available reserves.

Investments in other types of authorized securities may be made with the provision that no more than fifty percent of the total current investment portfolio consists of one type of security.

Custodial Credit Risk - Deposits

In the case of deposits, this is the risk that in the event of a bank failure, the School District’s deposits may not be returned to it. As of June 30, 2018, $115,636 of the School District's bank balance of $366,596 was exposed to custodial credit risk because it was uninsured and uncollateralized.

NOTE 3 - DEPOSITS AND INVESTMENTS (CONTINUED)

Custodial Credit Risk – Investments

For an investment, this is the risk that, in the event of the failure of the counterparty, the School District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

The School District will minimize custodial credit risk, which is the risk of loss due to the failure of the security issuer or backer, by; limiting investments to the types of securities approved in the District's Investment policy which is in accordance with State law; and pre-qualifying the financial institutions, broker/dealers, intermediaries and advisors with which the School District will do business.

Foreign Currency Risk

The School District is not authorized to invest in investments which have this type of risk.

NOTE 4 - INTERFUND RECEIVABLES AND PAYABLES

The amounts of interfund receivables and payables as of June 30, 2018 were as follows:

	DUE FROM			
DUE TO	General Fund	2018 Sinking Fund Bond	Non-major Governmental Funds	Total
General Fund	$ 0	$ 20,784	$ 90,266	$ 111,050
Non-major Governmental Funds	35,566	81,818	31,676	149,060
	$ 35,566	$ 102,602	$ 121,942	$ 260,110

These balances result from the time lag between the dates that interfund goods and services are provided, transactions are recorded in the accounting system, and payments between funds are made.

NOTE 5 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2018, was as follows:

	Balance July 1, 2017	Additions	Deletions	Balance June 30, 2018
Governmental Activities				
Capital Assets Not Being Depreciated:				
Land	$ 94,533	$ 0	$ 0	$ 94,533
Construction in Progress	8,548	137,552	(8,548)	137,552
Capital Assets Not Being Depreciated	103,081	137,552	(8,548)	232,085
Capital Assets Being Depreciated				
Buildings and Improvements	19,053,963	29,358	(3,630,185)	15,453,136
Site Improvements	4,132,642	136,000	(265,694)	4,002,948
Furniture, Fixtures and Equipment	2,468,078	35,381	(505,895)	1,997,564
Vehicles and Buses	1,049,416	61,963	(97,894)	1,013,485
Subtotal	26,704,099	262,702	(4,499,668)	22,467,133
Less Accumulated Depreciation for:				
Buildings and Improvements	(8,605,271)	(388,060)	2,034,588	(6,958,743)
Site Improvements	(2,527,094)	(198,551)	190,292	(2,535,353)
Furniture, Fixtures and Equipment	(1,972,722)	(79,832)	433,406	(1,619,148)
Vehicles and Buses	(1,015,460)	(14,343)	97,894	(931,909)
Subtotal	(14,120,547)	(680,786)	2,756,180	(12,045,153)
Capital Assets Being Depreciated	12,583,552	(418,084)	(1,743,488)	10,421,980
Governmental Activities Total Capital Assets - Net of Depreciation	$ 12,686,633	$ (280,532)	$ (1,752,036)	$ 10,654,065

Depreciation expense was charged to activities of the School District as follows:

Governmental Activities	
Instruction	$ 391,504
Support Services	229,946
Community Services	3,112
Food Services	37,068
Athletics	19,156
	$ 680,786

NOTE 6 - SHORT-TERM DEBT

The School District has various options for short-term financing including tax anticipation notes, state aid anticipation notes and lines of credit.

The following is a summary of the short-term financing:

	July 1, 2017	Increases	Decreases	June 30, 2018
Tax Anticipation Note Payable	$ 200,000	$ 0	$ (200,000)	$ 0

The Tax Anticipation Note was acquired to help cover the cost of Uni-Vents at Richardson Elementary School installed in fiscal year 2017. The note was dated July 1, 2016, bears interest at 1.05% and was due on October 1, 2017.

NOTE 7 - LONG-TERM LIABILITIES

A. Bonds Payable

	Date of Contract	Principal Due	Interest	Total Obligation
2018 School Improvement Bonds:				
The bonds dated June 5, 2018 which bear interest at 2.39% and are due serially each May 1 through 2021.	2018	$ 995,000	$ 53,083	$ 1,048,083
2015 Refunding Bonds:				
The bonds dated March 5, 2015 which bear interest at 2% are due serially each May 1 through 2023.	2015	3,700,000	225,700	3,925,700
2015 School Building and Site Bonds:				
The bonds dated June 24, 2015 which bear interest at 2.05% to 2.30% are due serially each May 1 through 2020.	2015	410,000	13,633	423,633
2016 Refunding Bonds:				
The bonds dated February 4, 2016 which bear interest at 0.00 to 2.50% are due serially each May 1 through 2026.	2016	2,870,000	455,800	3,325,800
Total Bonds Payable		$ 7,975,000	$ 748,216	$ 8,723,216

NOTE 7 - LONG-TERM LIABILITIES (CONTINUED)

The annual principal and interest requirements for long-term debt for the years after June 30, 2018 are as follows:

	Government Activities		
	Principal	Interest	Total
2019	$ 1,025,000	$ 170,753	$ 1,195,753
2020	1,365,000	151,947	1,516,947
2021	1,255,000	122,316	1,377,316
2022	830,000	95,500	925,500
2023	855,000	78,900	933,900
2024 - 2026	2,645,000	128,800	2,773,800
Total	$ 7,975,000	$ 748,216	$ 8,723,216

B. Compensated Absences Payable

The School District has an employee benefit plan that allows employees to accumulate a limited amount of sick pay days based on contracts and an unlimited amount of vacation pay days. The amount of accumulated sick and vacation pay liability, recorded in the government-wide statements, for the School District was $296,437 at June 30, 2018, of which $0 was the estimated current portion.

C. Defeasance of Debt

On April 26, 2005, the School District defeased certain general obligation bonds by placing the proceeds of new bonds in an irrevocable trust to provide for future debt service payments on the old bonds beginning in 2015 and ending in 2023. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the School District’s financial statements. At June 30, 2018, $3,805,000 of bonds outstanding are considered defeased.

On March 30, 2006 the School District defeased certain general obligation bonds by placing the proceeds of new bonds in an irrevocable trust to provide for future debt service payments on the old bonds beginning in 2012 and ending in 2026. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the School District's financial statements. At June 30, 2018, $2,795,000 of bonds outstanding are considered defeased.

On March 4, 2015 the School District defeased certain general obligation bonds by placing the proceeds of new bonds in an irrevocable trust to provide for future debt service payments on the old bonds beginning in 2016 and ending in 2023. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the School District's financial statements. At June 30, 2018, $3,815,000 of bonds outstanding are considered defeased.

On February 4, 2016 the School District defeased certain general obligation bonds by placing the proceeds of new bonds in an irrevocable trust to provide for future debt service payments on the old bonds beginning in 2016 and ending in 2026. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the School District's financial statements. At June 30, 2018, $2,880,000 of bonds outstanding are considered defeased.

NOTE 7 - LONG-TERM LIABILITIES (CONTINUED)

D. Changes in Long-Term Liabilities

The following is a summary of long-term debt transactions of the School District for the year ended June 30, 2018:

Governmental Activities	Balance July 1, 2017	Increase	Decrease	Balance June 30, 2018	Amount Due in One Year
Bonds	$ 8,125,000	$ 995,000	$ (1,145,000)	$ 7,975,000	$ 1,025,000
Deferred Amounts for Issuance Premium	157,106	0	(20,861)	136,245	20,861
Total Bonds Payable, Net	8,282,106	995,000	(1,165,861)	8,111,245	1,045,861
Compensated Absences	330,854	0	(34,417) *	296,437	0
Total Long-Term Liabilities	$ 8,612,960	$ 995,000	$ (1,200,278)	$ 8,407,682	$ 1,045,861

*Represents net of additions and retirements for the year.

The payment dates of compensated absences payable are undeterminable.

The interest expense on long-term obligations for the year was $228,784.

Compensated absences for the governmental funds are generally liquidated by the General and Food Service Funds.

NOTE 8 - UNEARNED REVENUE

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

General Fund:	
Early Literacy	$ 21,590
At Risk	30,000
Food Service Fund:	
Meal Cards	3,288
Total	$ 54,878

NOTE 9 - LEASE

The School District had seven lease agreements during the year. For those lease agreements that did not expire on or prior to year end, they can be terminated at any time, given 90 days written notice.

The annual lease amounts and agreement expiration dates are as follows:

Ray's Gym	$	8,456	*
Suncoast Yoga		1,225	*
Darkhorse Defense		700	*
Northeast Michigan Community Service Agency		35,020	June 30, 2018
Iosco Regional Education Service Agency		25,401	June 30, 2018
AuSable Valley Community Mental Health		3,375	*
Centria Healthcare LLC		4,478	*
	$	78,655	

*These lease agreements were for space at Cedar Lake Elementary, which was sold during the year ended June 30, 2018. As a result of the sale, the lease agreements were transferred to the new owners and are no longer the responsibility of Oscoda Area Schools.

NOTE 10 - OPERATING TRANSFERS

During the year ended June 30, 2018, the following transfers were made:

	TRANSFER FROM			
TRANSFER TO	General Fund	2018 Sinking Fund Bond	Non-major Governmental Funds	Total
General Fund	$ 0	$ 0	$ 48,138	$ 48,138
Non-major Governmental Funds	372	81,818	31,676	113,866
	$ 372	$ 81,818	$ 79,814	$ 162,004

Transfers are used to move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, and use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

NOTE 11 - DEFINED BENEFIT PLAN

General Information About the Michigan Public School Employees' Retirement System (MPSERS) Pension Plan

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

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

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

Benefits Provided

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

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

Contributions

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

Employer contributions to the System are determined on an actuarial basis using the entry age normal actuarial cost method. Under this method, the actuarial present value of the projected benefits of each individual included in the actuarial valuation is allocated on a level basis over the service of the individual between entry age and assumed exit age. The portion of this cost allocated to the current valuation year is called the normal cost. The remainder is called the actuarial accrued liability. Normal cost is funded on a current basis. The unfunded (overfunded) actuarial accrued liability as of the September 30, 2017 valuation will be amortized over a 19 year period for the 2017 fiscal year.

The schedule below summarizes pension contribution rates in effect for fiscal year 2017.

NOTE 11 - DEFINED BENEFIT PLAN (CONTINUED)

Contributions (Continued)

Pension Contribution Rates

Benefit Structure	Member	Employer
Basic	0.0 - 4.0%	19.03%
Member Investment Plan	3.0 - 7.0	19.03
Pension Plus	3.0 - 6.4	18.40
Defined Contribution	0.0	15.27

Required contributions to the pension plan from the School District were $1,615,658 for the year ended September 30, 2017.

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

At June 30, 2018, the School District reported a liability of $17,850,353 for its proportionate share of the net pension liability. The net pension liability was measured as of September 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation rolled forward from September 2016. The School District's proportionate share of the net pension liability was determined by dividing each employer's statutorily required pension contributions to the system during the measurement period by the percent of pension contributions required from all applicable employers during the measurement period. At September 30, 2017, the School District's proportionate share percent was 0.06888%, which was a decrease of 0.00130% from its proportion measured as of September 30, 2016.

For the year ended June 30, 2018, the School District recognized pension expense of $1,929,742. At June 30, 2018, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 155,132	$ 87,588
Change of assumptions	1,955,648	0
Net difference between projected and actual earnings on pension plan investments	0	853,364
Changes in proportion and differences between School District contributions and proportionate share of contributions	316,243	287,173
School District contributions subsequent to the measurement date	1,487,889	0
Total	**$ 3,914,912**	**$ 1,228,125**

NOTE 11 - DEFINED BENEFIT PLAN (CONTINUED)

Pension Liabilities, Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions (Continued)

In addition to the deferred inflows of resources noted above, the District also has $702,922 in deferred inflows related to the 147(C) UAAL Stabilization allocation from the State of Michigan at year end.

$784,967 reported as deferred outflows of resources related to pensions resulting from employer contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2019. Total amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Deferred (Inflows) and Deferred Outflows of Resources by Year

	Amount
2018	$ 1,189,689
2019	665,114
2020	207,477
2021	(78,415)
	$ 1,983,865

Actuarial Valuations and Assumptions

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

Additional information as of the latest actuarial valuation follows:

Summary of Actuarial Assumptions:

- Valuation Date: September 30, 2016
- Actuarial Cost Method: Entry Age, Normal
- Wage Inflation Rate: 3.5%
- Investment Rate of Returns:
  - MIP and Basic Plans (Non-Hybrid): 7.5%
  - Pension Plans Plan (Hybrid): 7.0%
- Projected Salary Increases: 3.5 - 12.3%, including wage inflation at 3.5%
- Cost-of-Living Pension Adjustments: 3% Annual Non-Compounded for MIP Members

NOTE 11 - DEFINED BENEFIT PLAN (CONTINUED)

Actuarial Valuations and Assumptions (Continued)

- Mortality: RP-2000 Male and Female Combined 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.

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, 2017 is based on the results of an actuarial valuation date of September 30, 2016, 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: 4.5188

λ Recognition period for assets in years is 5.0000

- Full actuarial assumptions are available in the 2017 MPSERS Comprehensive Annual Financial Report (www.michigan.gov/orsschools).

Long-Term Expected Rate of Return On Plan Assets

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of September 30, 2017, are summarized in the following table:

Investment Category	**Target Allocation**	**Long-term Expected Real Rate of Return***
Domestic Equity Pools	28.0%	5.6%
% Alternative Investment Pools	18.0	8.7
International Equity	16.0	7.2
Fixed Income Pools	10.5	(0.1)
Real Estate and Infrastructure Pools	10.0	4.2
Absolute Return Pools	15.5	5.0
Short Term Investment Pools	2.0	(0.9)
	100.0%	

*Long-term rate of return does not include 2.3% inflation.

NOTE 11 - DEFINED BENEFIT PLAN (CONTINUED)

Rate of Return

For the fiscal year ended September 30, 2017, the annual money-weighted rate of return on pension plan investment, net of pension plan investment expense, was 13.24%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Discount Rate

A discount rate of 7.5% 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 7.5% (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 School District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the School District's proportionate share of the net pension liability, calculated using a discount rate of 7.5% (7.0% for the Hybrid Plan), as well as what the School 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) 6.5% / 6.0%	Current Single Discount Rate Assumption (Non-Hybrid/Hybrid) 7.5% / 7.0%	1% Increase (Non-Hybrid/Hybrid) 8.5% / 8.0%
$ 23,253,073	$ 17,850,353	$ 13,301,607

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

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

Payables to the Michigan Public School Employees' Retirement System (MPSERS)

At June 30, 2018, there were reported payables to MPSERS of $299,626, which accounts for the total outstanding contributions for all retirement plans, including the 147(C) UAAL Stabilization dollars.

NOTE 12 - POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)

General Information About the Michigan Public School Employees' Retirement System (MPSERS) OPEB Plan

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

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

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

Benefits Provided

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

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

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

NOTE 12 - POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (CONTINUED)

Contributions

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

Employer OPEB contributions to the System are determined on an actuarial basis using the entry age normal actuarial cost method. Under this method, the actuarial present value of the projected benefits of each individual included in the actuarial valuation is allocated on a level basis over the service of the individual between entry age and assumed exit age. The portion of this cost allocated to the current valuation year is called the normal cost. The remainder is called the actuarial accrued liability. Normal cost is funded on a current basis. The unfunded (overfunded) actuarial accrued liability as of the September 30, 2017 valuation will be amortized over a 19 year period for the 2017 fiscal year.

The schedule below summarizes OPEB contribution rates in effect for fiscal year 2017.

OPEB Contribution Rates		
Benefit Structure	Member	Employer
Premium Subsidy	3.00%	5.91%
Personal Healthcare Fund (PHF)	0.00	5.69

Required contributions to the OPEB plan from the School District were $539,191 for the year ended September 30, 2017.

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

At June 30, 2018, the School District reported a liability of $6,132,988 for its proportionate share of the MPSERS net OPEB liability. The net OPEB liability was measured as of September 30, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation rolled forward from September 2016. The School District's proportion of the net OPEB liability was determined by dividing each employer's statutorily required OPEB contributions to the system during the measurement period by the percent of OPEB contributions required from all applicable employers during the measurement period. At September 30, 2017, the School District's proportion was 0.6926%.

For the year ended June 30, 2018, the School District recognized OPEB expense of $407,794. At June 30, 2018, the School District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

NOTE 12 - POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (CONTINUED)

OPEB Liabilities, OPEB Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to OPEB (Continued)

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 0	$ 65,298
Changes of assumptions	0	0
Net difference between projected and actual earnings on OPEB plan investments	0	142,041
Changes in proportion and differences between School District contributions and proportionate share of contributions	0	10,857
School District contributions subsequent to the measurement date	346,751	0
Total	**$ 346,751**	**$ 218,196**

$346,751 reported as deferred outflows of resources related to OPEB resulting from employer contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2019. Total amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in pension expense as follows:

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

	Amount
2018	$ 294,220
2019	(52,531)
2020	(52,531)
2021	(52,531)
2022	(8,072)
	$ 128,555

Actuarial Valuations and Assumptions

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

NOTE 12 - POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (CONTINUED)

Actuarial Valuations and Assumptions (Continued)

Additional information as of the latest actuarial valuation follows:

Summary of Actuarial Assumptions:

- Valuation Date: September 30, 2016
- Actuarial Cost Method: Entry Age, Normal
- Wage Inflation Rate: 3.5%
- Investment Rate of Return: 7.5%
- Projected Salary Increases: 3.5 - 12.3%, including wage inflation at 3.5%
- Healthcare Cost Trend Rate: 7.5% Year 1 graded to 3.5% Year 12
- Mortality: RP-2000 Male and Female Combined 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.
- Other Assumptions:
  - Opt Out Assumptions: 21% of eligible participants hired before July 1, 2008 and 30% of those hired after June 30, 2008 are assumed to opt out of the retiree health plan.
  - Survivor Coverage: 80% of male retirees and 67% of female retirees are assumed to have coverages continuing after the retiree's death.
  - Coverage Election at Retirement: 75% of male and 60% of female future retirees are assumed to elect coverage for 1 or more dependents.

Notes:

- Assumption changes as a result of an experience study for the 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, 2017 is based on the results of an actuarial valuation date of September 30, 2016, and rolled forward using generally accepted actuarial procedures, including the experience study.
- Recognition period for liabilities is the average of the expected remaining service lives of all employees in years: 5.4744
- Recognition period for assets in years is 5.0000
- Full actuarial assumptions are available in the 2017 MPSERS Comprehensive Annual Financial Report found on the ORS website at www.michigan.gov/orsschools.

NOTE 12 - POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (CONTINUED)

Long-Term Expected Rate of Return On Plan Assets

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the OPEB plan's target asset allocation as of September 30, 2017, are summarized in the following table:

Asset Class	**Target Allocation**	**Long-term Expected Real Rate of Return***
Domestic Equity Pools	28.0%	5.6%
% Alternative Investment Pools	18.0	8.7
International Equity	16.0	7.2
Fixed Income Pools	10.5	(0.1)
Real Estate and Infrastructure Pools	10.0	4.2
Absolute Return Pools	15.5	5.0
Short Term Investment Pools	2.0	(0.9)
	100.0%	

*Long-term rate of return does not include 2.3% inflation.

Rate of Return

For the fiscal year ended September 30, 2017, the annual money-weighted rate of return on OPEB plan investment, net of OPEB plan investment expense, was 11.82%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Discount Rate

A discount rate of 7.5% was used to measure the total OPEB liability. This discount rate was based on the long term expected rate of return on OPEB plan investments of 7.5%. The projection of cash flows used to determine this discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

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

The following presents the School District's proportionate share of the net OPEB liability, calculated using a discount rate of 7.5%, as well as what the School District's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher:

1% Decrease 6.5%	Current Discount Rate 7.5%	1% Increase 8.5%
$ 7,183,502	$ 6,132,988	$ 5,241,431

NOTE 12 - POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (CONTINUED)

Sensitivity of the School District's Proportionate Share of the Net OPEB Liability to Healthcare Cost Trend Rate

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

1% Decrease 6.5%	Current Healthcare Cost Trend Rate 7.5%	1% Increase 8.5%
$ 5,193,817	$ 6,132,988	$ 7,199,352

OPEB Plan Fiduciary Net Position

Detailed information about the OPEB plan's fiduciary net position is available in the separately issued 2017 MPSERS CAFR, available on the ORS website at www.michigan.gov/orsschools.

NOTE 13 - DEFERRED COMPENSATION PLANS

The School District offers its employees participation in the Tax-Deferred Payments (TDP) program through MPSERS. The program, available to all full-time employees who are members of the retirement system, permits them to defer a portion of their salary until future years for the purchase of additional years of service credit. Employees are eligible to voluntarily participate from the date of employment, however once an employee begins payments in the program, they must continue until completion of the purchase of the service credit or termination of employment from Oscoda Area Schools. Payments into the program are vested once 10 years of service credit have been earned through the MPSERS. Employee contributions to the TDP program totaled $7,133 for the year ended June 30, 2018.

The School District also offers its employees a deferred compensation plan created in accordance with Internal Revenue Service Code Section 403(b). The plan, available to all full-time employees, permits them to defer a portion of their salary until future years. Employees are eligible to voluntarily participate from the date of employment and are vested immediately upon participation. Employee contributions to the Section 403(b) plan totaled $65,060 for the year ended June 30, 2018. The assets of the plan are administered and held by 403(b) ASP, a third party administrator.

NOTE 14 - DEFINED CONTRIBUTION PLAN

Plan Description

The School District's defined contribution pension plan (DC) provides retirement benefits to plan members and beneficiaries. The plan covers employees hired on or after July 1, 2010. The plan is affiliated with the Michigan Public School Employee's Retirement System (MPSERS) Pension Plus Plan of Michigan. Also effective February 2013, former Basic/MIP members could elect to participate in the defined benefit contribution pension plan. Public Act 300 of 1980 of the State of Michigan, as amended, assigns the authority to establish and amend benefit provisions to the MPSERS Board. The plan services are provided by The Office of Retirement Services, exclusively through ING as the plan administrator. MPSERS issues a publicly available financial report that includes financial statements and required supplementary information for MPSERS. The report may be obtained by writing to MPSERS, 7150 Harris Drive, P.O. Box 30673, Lansing, Michigan 48909-8103.

NOTE 14 - DEFINED CONTRIBUTION PLAN (CONTINUED)

Funding Policy

Prior to February 2013, the School District employees who were part of the PPP were required to contribute 2% of their earnings for the plan year, unless they elected out of the plan, subject to the limitations of sections 457 of the Internal Revenue Code. Employees could elect to contribute more than 2% in full percent increments. For employees that elected to participate, the employer would match 50% of the contribution up to 1%. Employer contributions were considered a section 401(a) contribution.

Beginning February 2013 and after, the rates vary depending on which plan the active member is a participant of. The School District employees that are part of the PPP with Premium Subsidy or a Personal Healthcare Fund (PHF) are not required to contribute. If they do contribute they can contribute in full percent increments and the employer will match 50% of the contribution up to 1%. For the PPP with PHF the employee and employer contribution is 2% for the PHF.

The following are the DC pension and PHF contribution requirements for each applicable plan option:

- For any new employees hired after September 3, 2012 that elect DC with PHF, the employer pension contribution is 3% and the employee contribution is 6%. The employer contribution changed to 7% as of October 1, 2017. For the PHF, both the employee and employer contribution is 2%.
- For Basic, Basic 4%, MIP-Fixed, MIP-Graded and MIP 7% plan members that elect the PHF, the employee and employer contributions are 2% for the PHF only.
- For former Basic/MIP members that elected DC with Premium Subsidy the employer contribution is 4% for the pension only. Employees are not required to contribute, but may, in 1% increments.
- For former Basic/MIP members that elected DC with a PHF, the employer contribution is 4% for the pension. Employees are not required to contribute for pension, but may, in 1% increments. Employee and employer contributions are 2% for the PHF.

Vesting

Employees become 100% vested after four years of service.

Plan Contributions

During the year ended June 30, 2018, the School District contributed $47,427 on behalf of eligible employees. Employee contributions amounted to $67,925 for eligible employees.

NOTE 15 - UNEMPLOYMENT COMPENSATION

The School District is subject to the Michigan Employment Security Act and has elected the reimbursement method of financing. Under this method, the School District must reimburse the Employment Agency for all benefits charged against the School District. Accrued unemployment compensation was $0 as of June 30, 2018.

NOTE 16 - BONDED CONSTRUCTION FUND AND SINKING FUND

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

The Sinking Fund also records capital project activities funded with a Sinking Fund millage. For this fund, the School District has complied with the applicable provisions of §1212(1) of the Revised School Code and the applicable section of the revised bulletin for School District Audits of Bonded Construction Funds and Sinking Funds in Michigan.

NOTE 17 - RISK MANAGEMENT

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. The School District participates in two distinct pools of educational institutions within the State of Michigan for self-insuring property, casualty and workers' disability compensation. The pools are considered public entity risk pools. The School 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. Each of the pools maintain reinsurance claims in excess of $500,000 for each occurrence with the overall maximum coverage being unlimited. The School District has not been informed of any special assessments being required.

NOTE 18 - GOVERNMENTAL REGULATION

Substantially all of the School District's facilities are subject to federal, state and local provisions regulating the discharge of materials into the environment. Compliance with these provisions has not had, nor does the School District expect such compliance to have, any material effect upon the capital expenditures, net revenue in excess of expenditures or financial condition of the School District. Management believes that its current practices and procedures for the control and disposition of such wastes comply with applicable federal and state requirements.

NOTE 19 - CONTINGENCIES

The School District participates in a number of federally assisted grant programs which are subject to program compliance audits. The audits of these programs for and including the year ended June 30, 2018, have been conducted and have been reported in this audit report. However, the compliance audit reports have not yet been accepted by the grantors. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time; although the School District expects such amounts, if any, to be immaterial.

NOTE 20 - COMMITMENTS

The School District has contractual commitments in the amount of $1,550,800 outstanding at June 30, 2018 for the construction related to the various Sinking Fund Renovation Projects.

Construction contracts

As of June 30, 2018, the School District had the following construction contracts in progress:

Project	Total Contract	Remaining Construction Commitment at June 30, 2018	Contract Payable at June 30, 2018
Dore & Associates - Asbestos Abatement	$ 53,920	$ 28,900	$ 25,020
Ascom North - VOIP Telecommunications System	53,950	53,950	0
B & B General Contracting, Inc. - Building Renovations	1,447,075	1,447,075	0
MCD Security - Richardson Elementary Security System	8,375	8,375	0
Fleis & Vanderbrink. - Engineering Services for Water Project	12,500	12,500	0
	$ 1,575,820	$ 1,550,800	$ 25,020

In addition, in February of 2014 the District approved a contract with WTA Architects to pay them 7% of all Sinking Fund activity, for overseeing the Sinking Fund projects. Related construction in progress and contracts payable to WTA Architects at year end was $105,203 and $5,602, respectively.

NOTE 21 - SUBSEQUENT EVENTS

Pursuant to the Letter of Intent to Meet Conditions dated August 2, 2018, the District was approved for a Community Facilities Grant not to exceed $50,000, to hook up to the municipal water supply.

Subsequent to June 30, 2018, the District was approved for the Oscoda Area Schools Water Recovery Grant for up to $122,008, to hook up to the municipal water supply.

On July 19, 2018, the District approved a bid by John Henry Excavating, Inc. for the Water Project Construction, for $84,500.

In addition, the Superintendent approved a contract with Industrial Design, related to the Water Project Construction, for $18,848.

NOTE 22 - PRIOR PERIOD ADJUSTMENT

The June 30, 2017 financial statements have been restated for the following adjustment:

GASB Statement No. 75 requires governments providing postemployment benefits other than pensions (OPEB) to recognize their unfunded OPEB obligation as a liability for the first time, and to more comprehensively and comparably measure the annual costs of OPEB. Therefore, a prior period adjustment was made to record the beginning Net OPEB Liability, net of the related Deferred Inflows and Outflows, in the Governmental Activities Statement of Net Position, for $6,122,193.

	Governmental Activities
Net Position - Beginning	$ (8,634,467)
GASB 75 Adjustment	(6,122,193)
Net Position - Beginning (Restated)	$ (14,756,660)

REQUIRED SUPPLEMENTARY INFORMATION

OSCODA AREA SCHOOLS
Iosco County, Michigan

SCHEDULE OF THE SCHOOL DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
MICHIGAN PUBLIC SCHOOL EMPLOYEES RETIREMENT PLAN
(Amounts were determined as of 9/30 of the fiscal year)

	2018	2017	2016	2015
School District's proportion of net pension liability (%)	0.06888%	0.07018%	0.06963%	0.06682%
School District's proportionate share of net pension liability	$ 17,850,353	$ 17,510,276	$ 17,008,373	$ 14,718,838
School District's covered-employee payroll	$ 5,715,311	$ 5,987,495	$ 5,827,964	$ 5,776,637
School District's proportionate share of net pension liability as a percentage of its covered-employee payroll	312.33%	292.45%	291.84%	254.80%
Plan fiduciary net position as a percentage of total pension liability	64.21%	63.27%	63.17%	66.20%

Notes to the Schedule of the School District's Proportionate Share of the Net Pension Liability:

Changes of benefit terms: There were no changes of benefit terms in 2017.

Changes of assumptions: There were no changes of benefit assumptions in 2017.

OSCODA AREA SCHOOLS
Iosco County, Michigan

SCHEDULE OF THE SCHOOL DISTRICT'S PENSION CONTRIBUTIONS
MICHIGAN PUBLIC SCHOOL EMPLOYEES RETIREMENT PLAN
(Amounts determined as of 6/30 of each year)

	2018	2017	2016	2015
Statutorily required contributions	$ 1,757,672	$ 1,615,739	$ 1,543,203	$ 1,320,083
Contributions in relation to statutorily required contributions*	1,757,672	1,615,739	1,543,203	1,320,083
Contribution deficiency (excess)	$ 0	$ 0	$ 0	$ 0
School District's covered-employee payroll	$ 5,978,217	$ 5,668,214	$ 5,794,223	$ 5,908,620
Contributions as a percentage of covered-employee payroll	29.40%	28.51%	26.63%	22.34%

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

Notes to the Schedule of the School District's Pension Contributions:

Changes of benefit terms: There were no changes of benefit terms in 2017.

Changes of assumptions: There were no changes of benefit assumptions in 2017.

OSCODA AREA SCHOOLS
Iosco County, Michigan

SCHEDULE OF THE SCHOOL DISTRICT'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY
MICHIGAN PUBLIC SCHOOL EMPLOYEES RETIREMENT PLAN
(Amounts were determined as of 9/30 of the fiscal year)

		2018
School District's proportion of net OPEB liability (%)		0.06926%
School District's proportionate share of net OPEB liability	$	6,132,988
School District's covered-employee payroll (OPEB)	$	5,715,311
School District's proportionate share of net OPEB liability as a percentage of its covered-employee payroll		107.31%
Plan fiduciary net position as a percentage of total OPEB liability		36.39%

Notes to the Schedule of the School District's Proportionate Share of the Net OPEB Liability:

Changes of benefit terms: There were no changes of benefit terms in 2017.

Changes of assumptions: There were no changes of benefit assumptions in 2017.

OSCODA AREA SCHOOLS
Iosco County, Michigan

SCHEDULE OF THE SCHOOL DISTRICT'S OPEB CONTRIBUTIONS
MICHIGAN PUBLIC SCHOOL EMPLOYEES RETIREMENT PLAN
(Amounts determined as of 6/30 of each year)

	2018
Statutorily required OPEB contributions	$ 429,765
OPEB contributions in relation to statutorily required contributions*	429,765
Contribution deficiency (excess)	$ 0
School District's covered-employee payroll (OPEB)	$ 5,978,217
OPEB contributions as a percentage of covered-employee payroll	7.19%

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

Notes to the Schedule of the School District's OPEB Contributions:

Changes of benefit terms: There were no changes of benefit terms in 2017.

Changes of assumptions: There were no changes of benefit assumptions in 2017.

OSCODA AREA SCHOOLS
Iosco County, Michigan

STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL
GENERAL FUND
For the Year Ended June 30, 2018

	Original Budget	Final Amended Budget	Actual	Variance - Favorable (Unfavorable)
Revenue				
Local Sources	$ 6,633,641	$ 6,703,733	$ 6,689,407	$ (14,326)
State Sources	4,270,424	4,678,726	4,660,352	(18,374)
Federal Sources	684,528	751,101	697,665	(53,436)
Total Revenue	11,588,593	12,133,560	12,047,424	(86,136)
Expenditures				
Current:				
Instruction	7,241,862	7,343,135	7,278,204	64,931
Support Services	4,191,422	4,418,418	4,278,594	139,824
Community Services	85,083	101,960	99,191	2,769
Athletics	260,719	306,946	301,201	5,745
Capital Outlay	84,540	115,710	115,009	701
Total Expenditures	11,863,626	12,286,169	12,072,199	213,970
Excess of Revenue Over (Under) Expenditures	(275,033)	(152,609)	(24,775)	127,834
Other Financing Sources (Uses)				
Sale of Capital Assets	0	6,178	6,178	0
Operating Transfers In	45,300	49,183	48,138	(1,045)
Operating Transfers Out	(1,000)	(372)	(372)	0
Total Other Financing Sources (Uses)	44,300	54,989	53,944	(1,045)
Net Change in Fund Balances	(230,733)	(97,620)	29,169	126,789
Fund Balances - Beginning of Year	2,294,547	2,294,547	2,294,547	0
Fund Balances - End of Year	$ 2,063,814	$ 2,196,927	$ 2,323,716	$ 126,789

OTHER INFORMATION

OSCODA AREA SCHOOLS
Iosco County, Michigan

COMBINING BALANCE SHEET
OTHER GOVERNMENTAL FUNDS
June 30, 2018

	Special Revenue Fund	Debt Retirement Funds				Capital Projects Fund		
	Food Service Fund	Sinking Fund Bond	2015 Refunding Bond	2016 Refunding Bond	2015 Athletic Bond Debt Service Fund	2018 Capital Projects Fund	Sinking Fund	Total Other Governmental Funds
Assets								
Cash and Cash Equivalents	$ 175,280	$ 30,246	$ 24,890	$ 35,181	$ 13,634	$ 0	$ 72	$ 279,303
Due from Other Funds	0	1,430	17,206	1,623	4,561	10,746	113,494	149,060
Inventory:								
Supplies	3,313	0	0	0	0	0	0	3,313
Total Assets	$ 178,593	$ 31,676	$ 42,096	$ 36,804	$ 18,195	$ 10,746	$ 113,566	$ 431,676
Liabilities								
Accounts Payable	$ 169	$ 0	$ 0	$ 0	$ 0	$ 0	$ 35,611	$ 35,780
Due to Other Funds	12,312	31,676	0	0	0	0	77,954	121,942
Unearned Revenue	3,288	0	0	0	0	0	0	3,288
Total Liabilities	15,769	31,676	0	0	0	0	113,565	161,010
Fund Equity								
Fund Balances:								
Nonspendable:								
Inventory	3,313	0	0	0	0	0	0	3,313
Restricted For:								
Debt Retirement	0	0	42,096	36,804	18,195	0	0	97,095
Capital Projects	0	0	0	0	0	10,746	1	10,747
Assigned to:								
Food Service	159,511	0	0	0	0	0	0	159,511
Total Fund Equity	162,824	0	42,096	36,804	18,195	10,746	1	270,666
Total Liabilities and Fund Equity	$ 178,593	$ 31,676	$ 42,096	$ 36,804	$ 18,195	$ 10,746	$ 113,566	$ 431,676

OSCODA AREA SCHOOLS
Iosco County, Michigan

COMBINING STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCES
OTHER GOVERNMENTAL FUNDS
For the Year Ended June 30, 2018

	Special Revenue Fund	Debt Retirement Funds				Capital Projects Fund		
	Food Service Fund	Sinking Fund Bond	2015 Refunding Bond	2016 Refunding Bond	2015 Athletic Bond Debt Service Fund	2018 Capital Projects Fund	Sinking Fund	Total Other Governmental Funds
Revenue								
Local Sources	$ 123,312	$ 285,738	$ 777,322	$ 98,002	$ 227,246	$ 0	$ 298,895	$ 1,810,515
State Sources	24,490	0	0	0	0	0	0	24,490
Federal Sources	595,578	0	0	0	0	0	0	595,578
Total Revenue	743,380	285,738	777,322	98,002	227,246	0	298,895	2,430,583
Expenditures								
Current:								
Food Services	692,361	0	0	0	0	0	0	692,361
Capital Outlay	0	0	0	0	0	0	297,737	297,737
Debt Service:								
Principal Retirement	0	255,000	690,000	0	200,000	0	0	1,145,000
Interest and Fees on Long-Term Debt	0	5,400	99,066	67,743	15,784	465	525	188,983
Total Expenditures	692,361	260,400	789,066	67,743	215,784	465	298,262	2,324,081
Excess of Revenue Over (Under) Expenditures	51,019	25,338	(11,744)	30,259	11,462	(465)	633	106,502
Other Financing Sources (Uses)								
Sale of Capital Assets	0	0	0	0	0	11,211	0	11,211
Operating Transfers In	372	0	0	0	0	0	113,494	113,866
Operating Transfers Out	(48,138)	(31,676)	0	0	0	0	0	(79,814)
Total Other Financing Sources (Uses)	(47,766)	(31,676)	0	0	0	11,211	113,494	45,263
Net Change in Fund Balances	3,253	(6,338)	(11,744)	30,259	11,462	10,746	114,127	151,765
Fund Balances - Beginning of Year	159,571	6,338	53,840	6,545	6,733	0	(114,126)	118,901
Fund Balances - End of Year	$ 162,824	$ 0	$ 42,096	$ 36,804	$ 18,195	$ 10,746	$ 1	$ 270,666

INDIVIDUAL FUND SCHEDULES

OSCODA AREA SCHOOLS
Iosco County, Michigan

GENERAL FUND
DETAILS OF REVENUE COMPARED TO BUDGET
For the Year Ended June 30, 2018
With Comparative Totals for the Year Ended June 30, 2017

	2018 Amended Budget	2018 Actual	2017 Actual
Local Sources			
Current Property Taxes	$ 6,132,133	$ 6,142,535	$ 6,095,998
Tuition	0	0	8,075
Transportation Fees	63,000	62,540	78,846
Gate Receipts	44,625	46,292	54,553
Interest	71,818	40,735	17,027
Rents	81,573	78,655	91,535
Athletics Donations	26,847	27,027	13,255
Donations	0	0	25,300
Medicaid Fee for Service	35,000	40,056	35,546
Miscellaneous Local Sources	248,737	251,567	250,048
	6,703,733	6,689,407	6,670,183
State Sources			
State Aid Foundation Allowance	2,621,217	2,633,482	2,629,638
Isolated Districts	53,110	52,762	52,760
At Risk	618,151	595,328	462,114
Early Literacy	15,843	7,225	18,860
Special Education Grant	385,570	385,570	319,060
First Robotics	10,350	11,500	0
Technology Infrastructure	0	0	1,045
MPSERS Cost Offset	117,209	117,209	84,540
MPSERS UAAL Rate Stabilization	844,893	844,893	749,175
MPSERS Reforms - Defined Contribution	5,748	5,748	0
Miscellaneous State Sources	6,635	6,635	5,753
	4,678,726	4,660,352	4,322,945
Federal Sources			
Title I, Part A	519,128	495,030	477,382
Title II, Part A	132,168	118,379	67,160
Rural and Low-Income Schools	19,748	0	26,087
Title IV, Part A	6,700	6,644	0
Medicaid Outreach	1,500	762	1,093
Schools and Roads Grant Funds	70,657	75,650	72,264
Other Federal Revenues	1,200	1,200	3,466
	751,101	697,665	647,452
Other Financing Sources			
Sale of Capital Assets	6,178	6,178	2,080
Operating Transfers In	49,183	48,138	44,248
	55,361	54,316	46,328
Total Revenue and Other Financing Sources	$ 12,188,921	$ 12,101,740	$ 11,686,908

OSCODA AREA SCHOOLS
Iosco County, Michigan

GENERAL FUND
DETAILS OF EXPENDITURES COMPARED TO BUDGET
For the Year Ended June 30, 2018
With Comparative Totals for the Year Ended June 30, 2017

	2018 Amended Budget	2018 Actual	2017 Actual
Instruction			
Basic Programs:			
Elementary			
Salaries	$ 1,658,250	$ 1,655,568	$ 1,560,371
Employee Benefits	1,185,952	1,177,596	1,106,970
Purchased Services	67,101	65,453	65,917
Supplies, Materials and Other	59,000	45,208	39,101
	2,970,303	2,943,825	2,772,359
Junior High School			
Salaries	371,350	366,329	361,898
Employee Benefits	284,797	281,826	238,174
Purchased Services	12,152	9,543	10,864
Supplies, Materials and Other	4,900	3,728	3,890
	673,199	661,426	614,826
High School			
Salaries	807,320	807,955	747,082
Employee Benefits	570,934	578,933	531,431
Purchased Services	176,728	172,054	136,127
Supplies, Materials and Other	44,377	38,493	33,128
	1,599,359	1,597,435	1,447,768
Preschool			
Salaries	22,630	21,989	8,673
Employee Benefits	9,590	8,597	3,817
Purchased Services	926	926	0
Supplies, Materials and Other	1,244	722	0
	34,390	32,234	12,490
Summer School			
Salaries	9,563	9,563	6,275
Employee Benefits	4,313	4,311	2,763
Supplies, Materials and Other	494	493	0
	14,370	14,367	9,038
Total Basic Programs	5,291,621	5,249,287	4,856,481
Added Needs:			
Special Education			
Salaries	546,739	547,170	552,954
Employee Benefits	401,629	413,806	379,337
Purchased Services	60,507	57,451	37,679
Supplies, Materials and Other	112	36	0
	1,008,987	1,018,463	969,970

OSCODA AREA SCHOOLS
Iosco County, Michigan

GENERAL FUND
DETAILS OF EXPENDITURES COMPARED TO BUDGET
For the Year Ended June 30, 2018
With Comparative Totals for the Year Ended June 30, 2017

	2018 Amended Budget	2018 Actual	2017 Actual
Instruction (Continued)			
Added Needs: (Continued)			
Compensatory Education			
Salaries	$ 540,480	$ 522,218	$ 579,358
Employee Benefits	347,712	333,596	364,560
Purchased Services	7,035	7,355	6,005
Supplies, Materials and Other	400	385	290
	895,627	863,554	950,213
Career and Technical\Vocational Education			
Purchased Services	146,900	146,900	145,488
Total Added Needs	2,051,514	2,028,917	2,065,671
Total Instruction	7,343,135	7,278,204	6,922,152
Support Services			
Pupil Services:			
Guidance Services			
Salaries	52,788	52,793	68,898
Employee Benefits	30,927	31,915	41,954
Purchased Services	9,050	9,050	7,350
	92,765	93,758	118,202
Health Services			
Purchased Services	18,000	19,119	18,105
Supplies, Materials and Other	990	990	0
	18,990	20,109	18,105
Psychological Services			
Purchased Services	12,165	10,975	11,570
Speech			
Salaries	63,525	63,523	61,656
Employee Benefits	44,919	44,532	41,624
	108,444	108,055	103,280
Social Work			
Salaries	7,400	7,594	3,583
Employee Benefits	2,365	2,350	1,025
Purchased Services	52,000	52,000	52,114
Supplies, Materials and Other	0	0	414
	61,765	61,944	57,136

OSCODA AREA SCHOOLS
Iosco County, Michigan

GENERAL FUND
DETAILS OF EXPENDITURES COMPARED TO BUDGET
For the Year Ended June 30, 2018
With Comparative Totals for the Year Ended June 30, 2017

	2018 Amended Budget	2018 Actual	2017 Actual
Support Services (Continued)			
Pupil Services: (Continued)			
Pupil Support Services			
Salaries	$ 41,025	$ 43,311	$ 33,558
Employee Benefits	26,970	28,269	20,521
	67,995	71,580	54,079
Total Pupil Services	362,124	366,421	362,372
Instructional Staff:			
Instructional Improvement			
Salaries	40,884	36,012	36,832
Employee Benefits	14,898	12,062	4,957
Purchased Services	46,316	37,741	29,912
Supplies, Materials and Other	94	94	4,780
	102,192	85,909	76,481
Library Services			
Salaries	0	0	510
Employee Benefits	0	0	224
	0	0	734
Computer Assisted Instruction			
Salaries	38,015	36,580	30,784
Employee Benefits	19,231	18,970	15,448
Purchased Services	44,091	41,560	35,502
Supplies, Materials and Other	137,804	102,639	60,026
	239,141	199,749	141,760
Academic Student Assessment			
Salaries	26,000	22,916	23,531
Employee Benefits	12,085	9,823	8,616
Purchased Services	18,743	17,669	15,483
Supplies, Materials and Other	1,717	1,717	1,029
	58,545	52,125	48,659
Total Instructional Staff	399,878	337,783	267,634
General Administration:			
Board of Education			
Salaries	2,000	1,950	1,500
Employee Benefits	153	149	115
Purchased Services	60,995	57,523	58,635
Supplies, Materials and Other	4,770	4,519	4,458
	67,918	64,141	64,708

OSCODA AREA SCHOOLS
Iosco County, Michigan

GENERAL FUND
DETAILS OF EXPENDITURES COMPARED TO BUDGET
For the Year Ended June 30, 2018
With Comparative Totals for the Year Ended June 30, 2017

	2018 Amended Budget	2018 Actual	2017 Actual
Support Services (Continued)			
General Administration: (Continued)			
Executive Administration			
Salaries	$ 167,327	$ 166,719	$ 158,814
Employee Benefits	122,280	117,093	110,074
Purchased Services	19,830	17,645	18,025
Supplies, Materials and Other	4,500	3,299	5,248
	313,937	304,756	292,161
Total General Administration	381,855	368,897	356,869
School Administration:			
Office of the Principal			
Salaries	437,220	432,143	405,821
Employee Benefits	305,380	297,013	279,859
Purchased Services	15,760	11,032	27,839
Supplies, Materials and Other	7,000	6,479	5,320
	765,360	746,667	718,839
Director of Instruction			
Salaries	60,457	57,885	55,474
Employee Benefits	22,952	22,001	25,826
Purchased Services	200	208	0
Supplies, Materials and Other	75	0	98
	83,684	80,094	81,398
Other Administration			
Supplies, Materials and Other	2,000	2,298	847
Total School Administration	851,044	829,059	801,084
Business:			
Business Services			
Purchased Services	10,162	10,162	10,452
Supplies, Materials and Other	39,000	33,928	40,743
	49,162	44,090	51,195
Fiscal Services			
Salaries	102,675	102,669	98,752
Employee Benefits	86,945	77,716	79,792
Purchased Services	1,450	927	880
Supplies, Materials and Other	3,600	2,902	2,090
	194,670	184,214	181,514
Total Business	243,832	228,304	232,709

OSCODA AREA SCHOOLS
Iosco County, Michigan

GENERAL FUND
DETAILS OF EXPENDITURES COMPARED TO BUDGET
For the Year Ended June 30, 2018
With Comparative Totals for the Year Ended June 30, 2017

	2018 Amended Budget	2018 Actual	2017 Actual
Support Services (Continued)			
Operations and Maintenance:			
Salaries	$ 297,912	$ 295,701	$ 290,007
Employee Benefits	220,024	215,298	192,627
Purchased Services	190,752	175,959	188,323
Supplies, Materials and Other	430,185	434,057	418,545
	1,138,873	1,121,015	1,089,502
Transportation:			
Salaries	372,197	367,669	378,675
Employee Benefits	222,567	212,012	205,782
Purchased Services	69,065	69,815	73,093
Supplies, Materials and Other	195,820	203,785	177,515
	859,649	853,281	835,065
Central Services:			
Staff and Personnel Services			
Salaries	10,460	10,517	10,230
Employee Benefits	7,892	7,825	7,177
Purchased Services	11,615	11,156	9,220
Supplies, Materials and Other	1,520	426	50
	31,487	29,924	26,677
Technology			
Salaries	59,755	59,386	58,170
Employee Benefits	34,519	33,439	31,838
Purchased Services	27,947	24,273	27,377
Supplies, Materials and Other	2,420	2,233	8,961
	124,641	119,331	126,346
Pupil Accounting:			
Salaries	11,075	11,072	10,230
Employee Benefits	6,721	6,268	5,775
Purchased Services	7,239	7,239	7,403
	25,035	24,579	23,408
Total Central Services	181,163	173,834	176,431
Total Support Services	4,418,418	4,278,594	4,121,666

OSCODA AREA SCHOOLS
Iosco County, Michigan

GENERAL FUND
DETAILS OF EXPENDITURES COMPARED TO BUDGET
For the Year Ended June 30, 2018
With Comparative Totals for the Year Ended June 30, 2017

	2018 Amended Budget	2018 Actual	2017 Actual
Community Services			
Community Recreation			
Salaries	$ 5,711	$ 5,723	$ 0
Employee Benefits	2,751	2,871	0
Other Purchased Services	12,751	14,150	4,234
Other Supplies	49,609	46,424	52,349
Other Expenses	19,579	18,462	8,010
	90,401	87,630	64,593
Community Activities:			
Salaries	380	200	755
Employee Benefits	181	89	336
Purchased Services	5,955	6,671	8,515
Supplies, Materials and Other	4,543	4,459	3,859
	11,059	11,419	13,465
Welfare Activities			
Supplies, Materials and Other	500	142	0
Total Community Services	101,960	99,191	78,058
Athletics			
Salaries	147,379	150,134	141,272
Employee Benefits	78,206	74,152	65,645
Equipment and Supplies	37,698	33,833	31,175
Purchased Services	37,663	37,017	35,185
Other Expenditures	6,000	6,065	7,485
Total Athletics	306,946	301,201	280,762
Capital Outlay			
Support Services	104,379	103,678	331,067
Athletics	11,331	11,331	1,526
Total Capital Outlay	115,710	115,009	332,593
Operating Transfers Out			
Food Service Fund	372	372	0
Total Expenditures and Transfers	$ 12,286,541	$ 12,072,571	$ 11,735,231

Stephenson & Company, P.C.
Certified Public Accountants & Consultants

Alan J. Stephenson, CPA
Donald W. Brannan, CPA
Kyle E. Troyer, CPA
Robert J. Morand, CPA
Brenden A. Stephenson, CPA/PFS,CFP®
Cynthia R. Scott, CPA, CFE

OSCODA AREA SCHOOLS
IOSCO COUNTY, MICHIGAN

SINGLE AUDIT REPORTS
YEAR ENDED JUNE 30, 2018

INDEX

Stephenson & Company, P.C.
Certified Public Accountants & Consultants

Alan J. Stephenson, CPA
Donald W. Brannan, CPA
Kyle E. Troyer, CPA
Robert J. Morand, CPA
Brenden A. Stephenson, CPA/PFS,CFP®
Cynthia R. Scott, CPA, CFE

September 14, 2018

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Board of Education
Oscoda Area Schools
Iosco County, Michigan

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Oscoda Area Schools as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise Oscoda Area Schools' basic financial statements and have issued our report thereon dated September 14, 2018.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Oscoda Area Schools' financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Offices:
East Tawas
West Branch
Mio

317 W. Houghton, P.O. Box 159, West Branch, MI 48661
www.scopc.com
989-345-0850 • 989-345-4251 Fax

Members:
AICPA
MICPA

Purpose of this Report

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

Stephenson & Company, P.C.

Stephenson & Company, P.C.
Certified Public Accountants & Consultants

Alan J. Stephenson, CPA
Donald W. Brannan, CPA
Kyle E. Troyer, CPA
Robert J. Morand, CPA
Brenden A. Stephenson, CPA/PFS,CFP®
Cynthia R. Scott, CPA, CFE

September 14, 2018

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

Board of Education
Oscoda Area Schools
Iosco County, Michigan

Report on Compliance for Each Major Federal Program

We have audited Oscoda Area Schools' compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Oscoda Area Schools' major federal programs for the year ended June 30, 2018. Oscoda Area Schools' major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditors' Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, Oscoda Area Schools complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2018.

Offices:
East Tawas
West Branch
Mio

317 W. Houghton, P.O. Box 159, West Branch, MI 48661
www.scopc.com
989-345-0850 • 989-345-4251 Fax

Members:
AICPA
MICPA

Report on Internal Control Over Compliance

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

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

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

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

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Oscoda Area Schools as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise Oscoda Area Schools' basic financial statements. We issued our report thereon dated September 14, 2018, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for the purposes of additional analysis as required by the Uniform Guidance, and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the 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 schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Stephenson & Company, P.C.

OSCODA AREA SCHOOLS
Iosco County, Michigan

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2018

Summary of Auditors' Results

1. The auditors' report expresses unmodified opinions on the financial statements of Oscoda Area Schools.

2. No material weaknesses in internal control relating to the audit of the financial statements are reported in the Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*.

3. No instances of noncompliance material to the financial statements of Oscoda Area Schools, which are required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.

4. No material weaknesses relating to the audit of internal control over major federal award programs are reported in the Independent Auditors' Report on Compliance For Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance.

5. The auditors' report on compliance for the major federal award programs for Oscoda Area Schools expresses an unmodified opinion.

6. No audit findings relative to the major federal award programs for Oscoda Area Schools are reported in this schedule.

7. The programs tested as major programs included: Child Nutrition Cluster, CFDA #10.553 and 10.555

8. The threshold used for distinguishing between Type A and B programs was $750,000.

9. Oscoda Area Schools was determined to be a low-risk auditee.

Findings - Financial Statement Audit

There were no findings related to the financial statements which were required to be reported in accordance with generally accepted government auditing standards for the year ended June 30, 2018.

Findings and Questioned Costs - Major Federal Award Programs Audit

There were no findings or questioned costs related to the major federal award program audit for the year ended June 30, 2018.

OSCODA AREA SCHOOLS
Iosco and Alcona Counties, Michigan

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2018

Federal Grantor or Pass Through Grantor Program Title/Grantor's Number	Federal CFDA Number	Approved Grant Award Amount	(Memo Only) Prior Year Expenditures	Accrued (Deferred) Revenue July 1, 2017	Current Year Expenditures	Current Year Receipts (Cash Basis)	Accrued (Deferred) Revenue June 30, 2018
U.S. Department of Agriculture							
Passed through Michigan Department of Education:							
Child Nutrition Cluster:							
Non-Cash Assistance (Commodities):							
Food Distribution							
55030 Entitlement Commodities	10.555	$ 44,043	$ 0	$ 0	$ 44,043	$ 44,043	$ 0
Cash Assistance:							
National School Breakfast Program							
171970 2016-2017	10.553	171,743	154,128	11,088	17,615	28,703	0
181970 2017-2018		160,391	0	0	160,391	160,391	0
		332,134	154,128	11,088	178,006	189,094	0
National School Lunch Program							
Section 11 - Free and Reduced							
171960 2016-2017	10.555	334,924	300,048	20,887	34,876	55,763	0
181960 2017-2018		318,730	0	0	318,730	318,730	0
		653,654	300,048	20,887	353,606	374,493	0
Cash Assistance Subtotal		985,788	454,176	31,975	531,612	563,587	0
Total Child Nutrition Cluster		1,029,831	454,176	31,975	575,655	607,630	0
Passed through Michigan Department of Education:							
Child and Adult Care Food Program:							
181920 2017-2018	10.558	19,923	0	0	19,923	19,923	0
Passed through Alcona County:							
Schools and Roads Grant Funds	10.665	16,730	0	0	16,730	16,730	0
Passed through Iosco County:							
Schools and Roads Grant Funds		58,920	0	0	58,920	58,920	0
		75,650	0	0	75,650	75,650	0
Total U.S. Department of Agriculture		1,125,404	454,176	31,975	671,228	703,203	0

The accompanying notes are an integral part of this schedule.

OSCODA AREA SCHOOLS
Iosco and Alcona Counties, Michigan

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2018

Federal Grantor or Pass Through Grantor Program Title/Grantor's Number	Federal CFDA Number	Approved Grant Award Amount	(Memo Only) Prior Year Expenditures	Accrued (Deferred) Revenue July 1, 2017	Current Year Expenditures	Current Year Receipts (Cash Basis)	Accrued (Deferred) Revenue June 30, 2018
U.S. Department of Education							
Passed through Michigan Department of Education:							
Title I:							
Title I - Grants to Local Educational Agencies							
Part A Imp Basic Pro 171530 2016-2017	84.010	$ 496,803	$ 466,502	$ 71,200	$ 15,246	$ 86,446	$ 0
Part A Imp Basic Pro 181530 2017-2018		508,489	0	0	479,784	0	479,784
		1,005,292	466,502	71,200	495,030	86,446	479,784
Passed through Michigan Department of Education:							
Title VI, Part B, Subpart 2							
Rural and Low-Income Schools 170660 2016-2017	84.358B	26,094	26,087	4,563	0	4,563	0
Passed through Michigan Department of Education:							
Title II Part A							
Improving Teacher Quality 170520 2016-2017	84.367	151,128	66,299	8,469	2,289	10,758	0
Improving Teacher Quality 180520 2017-2018		163,927	0	0	116,090	0	116,090
		315,055	66,299	8,469	118,379	10,758	116,090
Passed through The Institute for Excellence in Education:							
i3 Grant - Middle Grades Leadership Development	84.411	1,200	0	0	1,200	1,200	0
Passed through Michigan Department of Education:							
Title IV Part A							
Student Support and Academic Enrichment 180750 2017-2018	84.424A	10,000	0	0	6,644	0	6,644
Total U.S. Department of Education		1,357,641	558,888	84,232	621,253	102,967	602,518
U.S. Department of Health and Human Services							
Passed through Iosco Regional Educational Service Agency as Fiscal Agent:							
Medical Assistance Program Title XIX							
Medicaid Outreach Claims - 2016	93.778	1,093	1,093	1,093	0	1,093	0
Medicaid Outreach Claims - 2018		762	0	0	762	762	0
		1,855	1,093	1,093	762	1,855	0
Total Federal Financial Awards		$ 2,484,900	$ 1,014,157	$ 117,300	$ 1,293,243	$ 808,025	$ 602,518

The accompanying notes are an integral part of this schedule.

OSCODA AREA SCHOOLS
Iosco and Alcona Counties, Michigan

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2018

Note 1 - Basis of Presentation

A. The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of Oscoda Area Schools under programs of the federal government for the year ended June 30, 2018. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Oscoda Area Schools, it is not intended to and does not present the financial position, changes in net assets, or cash flows of Oscoda Area Schools.

Note 2 - Summary of Significant Accounting Policies

A. The Schedule of Expenditures of Federal Awards is a summary of the cash activity of the Organization's federal awards and does not present transactions that would be included in financial statements of the Organization presented on the accrual basis of accounting, as contemplated by accounting principles generally accepted in the United States of America.

B. Expenditures on this schedule reconcile with amounts reported in the financial statements and the financial reports submitted to the Michigan Department of Education.

C. The amounts reported on the R7120, Grants Section Auditors' Report, reconcile with this schedule.

D. The amounts reported on the Recipient Entitlement Balance Report, or PAL Report, agree with this schedule for USDA donated food commodities and are reported in the Cash Receipts column.

E. Expenditures include spoilage or pilferage.

F. Oscoda Area Schools did not elect to use a flat de minimis rate of 10% of modified total direct costs for their indirect cost rate.

Note 3 - Reconciliation to financial statements:

General Fund	$ 697,665
Special Revenue Funds:	
Food Service Fund	595,578
	$ 1,293,243

Oscoda Area Schools

Board of Education Office
3550 River Road • Oscoda, Michigan 48750

(989) 739-2033
FAX (989) 739-2325

Summary Schedule of Prior Year Audit Findings:

Findings – Financial Statements Audit

2017-001 Deficit Fund Balance

Finding: The Revised School Code Act 451 of 1976 mandates that school districts not operate under a deficit budget. The District is not in compliance with the Revised School Code, as the Sinking Fund, a capital projects fund, has a deficit fund balance of $114,126.

Year of Initial Occurrence: June 30, 2017

Status: Situation Corrected. The Sinking Fund no longer has a deficit fund balance, as enough tax revenue had been received to eliminate the deficit.

Findings and Questioned Costs – Major Federal Award Programs Audit

There were no findings related to the major federal award programs which were required to be reported in accordance with generally accepted government auditing standards for the year ended June 30, 2017.

Stephenson & Company, P.C.
Certified Public Accountants & Consultants

Alan J. Stephenson, CPA
Donald W. Brannan, CPA
Kyle E. Troyer, CPA
Robert J. Morand, CPA
Brenden A. Stephenson, CPA/PFS,CFP®
Cynthia R. Scott, CPA, CFE

September 14, 2018

Management and the Board
Oscoda Area Schools
Iosco County, Michigan

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Oscoda Area Schools for the year ended Saturday, June 30, 2018. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, *Government Auditing Standards* and the Uniform Guidance, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated July 16, 2018. Professional standards also require that we communicate to you the following information related to our audit. The appendices to this letter set forth those communications as follows:

I Communication with Those Charged with Governance

II Management Comments

We discussed these matters with various personnel of the District during the audit and met with management on August 24, 2018. We would also be pleased to meet with you to discuss these matters at your convenience.

These communications are intended solely for the information and use of management, the Board of Education, others within the District and the Michigan Department of Education and are not intended to be, and should not be, used by anyone other than those specified parties.

Very truly yours,

Stephenson & Company, P.C.

Offices:
East Tawas
West Branch
Mio

317 W. Houghton, P.O. Box 159, West Branch, MI 48661
www.scopc.com
989-345-0850 • 989-345-4251 Fax

Members:
AICPA
MICPA

APPENDIX I
COMMUNICATION WITH THOSE CHARGED WITH GOVERNANCE

Our Responsibilities under U.S. Generally Accepted Auditing Standards, *Government Auditing Standards***, and the Uniform Guidance**

As stated in our engagement letter dated July 16, 2018, our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

In planning and performing our audit, we will consider Oscoda Area Schools' internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide assurance on the internal control over financial reporting. We will also consider internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with the Uniform Guidance.

As part of obtaining reasonable assurance about whether Oscoda Area Schools' financial statements are free of material misstatement, we will perform tests of its compliance with certain provisions of laws, regulations, contracts, and grants. However, providing an opinion on compliance with those provisions is not an objective of our audit. Also in accordance with the Uniform Guidance, we will examine, on a test basis, evidence about Oscoda Area Schools' compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Compliance Supplement applicable to each of its major federal programs for the purpose of expressing an opinion on Oscoda Area Schools' compliance with those requirements. While our audit will provide a reasonable basis for our opinion, it will not provide a legal determination on Oscoda Area Schools' compliance with those requirements.

Planned Scope and Timing of the Audit

We performed the audit as outlined in our engagement letter related to planning matters dated July 16, 2018.

<u>Significant Audit Findings</u>

Qualitative Aspects of Accounting Practices

- Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Oscoda Area Schools are described in Note 1 to the financial statements. As described in Note 2 to the financial statements, the Oscoda Area Schools changed accounting policies related to Other Post-Employment Benefits by adopting Statement of Governmental Accounting Standards (GASB Statement) No. 75, "Accounting and Financial Reporting for Post-Employment Benefits Other Than Pensions", in 2018. Accordingly, the cumulative effect of the accounting change as of the beginning of the year is reported in the Statement of Net Position. We noted no transactions entered into by the government unit during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.
- Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting Oscoda Area Schools' financial statements were:

  > Management's estimates of the Net Pension Liability and Net OPEB Liability are based on actuarial valuations audited by the Auditor General. We evaluated the key factors and assumptions used to develop the Net Pension Liability and Net OPEB Liability in determining that they are reasonable in relation to the financial statements taken as a whole.

- The financial statement disclosures are neutral, consistent, and clear.

APPENDIX I
COMMUNICATION WITH THOSE CHARGED WITH GOVERNANCE

Difficulties Encountered in Performing the Audit

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

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. The adjustments identified during the audit have been communicated to management. A summary of audit differences, both adjusted and unadjusted was provided to and accepted by management on September 14, 2018. Management has determined that the effects of the unadjusted audit differences are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

Disagreements with Management

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

Management Representations

We have requested certain representations from management that are included in the management representation letter dated September 14, 2018.

Management Consultations with Other Independent Accountants

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

Other Audit Findings or Issues

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

Other Matters

We applied certain limited procedures to the Management's Discussion and Analysis, Budgetary Comparison Information, and the Required Pension and OPEB Schedules, which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

APPENDIX I
COMMUNICATION WITH THOSE CHARGED WITH GOVERNANCE

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

APPENDIX II
MANAGEMENT COMMENTS

In planning and performing our audit of the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Oscoda Area Schools as of and for the year ended Saturday, June 30, 2018, in accordance with auditing standards generally accepted in the United States of America, we considered Oscoda Area Schools' internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Oscoda Area Schools' internal control. Accordingly, we do not express an opinion on the effectiveness of Oscoda Area Schools' internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

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

STATUS OF PRIOR YEAR COMMENTS:

We have reviewed the status of comments and recommendations made in the prior year. The status of prior year comments is as follows:

Comment	Implemented/ Situation Corrected	Management Decision To Not Implement	Progress Made	Situation Still Exists
Deficit Fund Balance	X			