ROSCOMMON AREA PUBLIC SCHOOLS

ROSCOMMON, MICHIGAN

JUNE 30, 2017

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

CERTIFIED PUBLIC ACCOUNTANTS
134 WEST HARRIS STREET CADILLAC, MICHIGAN 49601 PHONE: (231) 775-9789 FAX: (231) 775-9749
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ROSCOMMON AREA PUBLIC SCHOOLS
ROSCOMMON, MICHIGAN

ANNUAL FINANCIAL REPORT
YEAR ENDED JUNE 30, 2017

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August 25, 2017

INDEPENDENT AUDITOR'S REPORT

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Roscommon Area Public Schools, Roscommon, Michigan as of June 30, 2017, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and required supplementary information, as listed in the table of contents on pages iv through x and 37-40, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Roscommon Area Public Schools, Michigan's basic financial statements. The Other Information section, as listed in the table of contents, is presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated August 25, 2017, on our consideration of Roscommon Area Public Schools' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Roscommon Area Public 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 Roscommon Area Public Schools' internal control over financial reporting and compliance.

BAIRD, COTTER AND BISHOP, P.C.

Baird, Cotter & Bishop, P.C.

ROSCOMMON AREA PUBLIC SCHOOLS
ROSCOMMON, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED JUNE 30, 2017

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

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

A. Government-Wide Financial Statements

The government-wide statements provide short-term and long-term financial information about the District's overall financial status. The district-wide financial statements are compiled using full accrual basis of accounting and more closely represent financial statements presented by business and industry. The Statement of Net position includes all of the District's assets and liabilities. All of the year's revenue and expenses are accounted for in the Statement of Activities regardless of when cash is received or paid.

The two government-wide statements report the District's net position and how they have changed. Net position, the difference between the District's assets and liabilities, is one way to measure the District's financial health or position.

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

To assess the overall health of the District requires consideration of additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities.

In the government-wide financial statements, the District's activities are all shown in one category titled "Governmental Activities". These activities, including regular and special education, transportation, administration, food services, and athletic activities are primarily financed with state and federal aids and property taxes.

B. Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds, rather than the District as a whole. Funds that do not meet the threshold to be classified as major funds are called "non-major" funds. Detailed financial information for non-major funds can be found in the combining and individual fund statements section.

Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

Some funds are required by state law and by bond covenants. The District may establish other funds to control and manage money for particular purposes.

The District maintains the following kinds of funds:

Governmental Funds – The District's basic services are included in governmental funds, which generally focus on 1) how cash and other financial assets that can readily be converted to cash flow in and out, and 2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps to determine whether there are more or less financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information (reconciliation schedules) immediately following the governmental funds statements that explain the relationship (or differences) between these two types of financial statement presentations.

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

C. Summary of Net Position

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

	2017	2016
Assets		
Current Assets	$ 3,620,421	$ 3,519,762
Non Current Assets		
Capital Assets	28,545,161	28,658,321
Less Accumulated Depreciation	(11,939,277)	(11,411,242)
Total Non Current Assets	16,605,884	17,247,079
TOTAL ASSETS	20,226,305	20,766,841
Deferred Outflows of Resources	2,344,929	1,461,384
Liabilities		
Current Liabilities	2,436,110	2,101,470
Non Current Liabilities	27,787,454	28,536,499
TOTAL LIABILITIES	30,223,564	30,637,969

	2017	2016
Deferred Inflows of Resources	1,109,852	411,450
Net Position		
Net Investment in Capital Assets	3,704,299	4,160,871
Restricted for Debt Service	169,826	251,439
Unrestricted	(12,636,307)	(13,233,504)
TOTAL NET POSITION	$ (8,762,182)	$ (8,821,194)

D. Analysis of Financial Position

During the fiscal year ended June 30, 2017, the District's net position increased by $59,012. A few of the more significant factors affecting net position during the year are discussed below:

1. *Depreciation Expense*

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

Depreciation expense is recorded on a straight-line basis over the estimated useful lives of the assets. In accordance with GAAP, depreciation expense is calculated based on the original cost of the asset less an estimated salvage value, where applicable. For the fiscal year ended June 30, 2017, $752,424 was recorded for depreciation expense.

2. *Pension Expense*

GASB 68 now requires the District to account for its payments to the Michigan Public School Employees' Retirement System in a manner that has a significant effect on the District's change in net position. Based on various factors, the District may report an increase or decrease in net position depending on whether the District's proportionate share of the net pension liability increases or decreases in any given year. For the year ended June 30, 2017, the District reported an increase in net position of $349,484 related to GASB 68.

3. *Capital Outlay Acquisitions*

For the year ended June 30, 2017, there was $111,229 capitalized and recorded as assets of the District. Asset additions to the District's capital assets will be depreciated over time as explained above.

The net effect of the new capital assets, disposals and the current year's depreciation is a decrease in capital assets in the amount of $641,195 for the year ended June 30, 2017.

E. Results of Operations

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

	2017	2016
General Revenues		
Property Taxes	$ 8,814,647	$ 9,066,502
Investment Earnings - Unrestricted	2,141	2,331
State Sources	580,103	629,053
Gain on Sale of Assets	5,668	49,793
Other	329,592	91,831
Total General Revenues	9,732,151	9,839,510
Program Revenues		
Charges for Services	532,348	387,954
Operating Grants	2,503,018	2,702,528
Total Program Revenues	3,035,366	3,090,482
Total Revenues	12,767,517	12,929,992
Expenses		
Instruction	6,126,880	7,343,275
Supporting Services	4,394,600	4,705,399
Community Services	15,692	18,418
Payments to Other Districts	989	0
Food Service Activities	656,381	687,848
Bond Issuance Costs	188,865	0
Interest on Long-Term Debt	820,197	637,625
Unallocated Depreciation	504,901	504,893
Total Expenses	12,708,505	13,897,458
Change in Net Position	$ 59,012	$ (967,466)

F. Financial Analysis of the District's Funds

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

	2017	2016	Increase (Decrease)
Major Funds			
General Fund	$ 1,744,720	$ 1,950,744	$ (206,024)
Food Service	84,881	72,776	12,105
2005 Debt Retirement	0	38,981	(38,981)
2008 Debt Retirement	8,641	312,968	(304,327)
2016 Debt Retirement	131,663	0	131,663
2017 Debt Retirement	127,017	0	127,017
Total Governmental Funds	$ 2,096,922	$ 2,375,469	$ (278,547)

In 2017, the General Fund balance decreased mostly due to a decrease in revenues. The overall revenues were down due to the decrease in student enrollment. Expenditures overall remained steady compared to the prior year.

The Food Service fund balance increased primarily due to a small increase in federal revenues related to student meals, while expenditures decreased from the prior year.

The 2005 Debt Retirement fund balance decrease is attributed to this being the final year of the 2005 debt fund and any remaining funds being transferred to the remaining debt service funds.

The 2008 Debt Retirement fund balance increased because property taxes collected exceeded the debt service payments and transfer out to the two new debt funds, as this bond was refunded during the year, with one principal payment left in the subsequent year.

The 2016 Debt Retirement fund balance increase is attributed to the District partially refunding the 2008 bonds, and no principal payments required to be made in the 16/17 fiscal year, only interest payments.

The 2017 Debt Retirement fund balance increase is attributed to the District partially refunding the 2008 bonds, and no principal payments required to be made in the 16/17 fiscal year.

G. General Fund Budgetary Highlights

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

For the 2016-2017 fiscal year, the District amended the General Fund budget with the Board adopting the final amendments in June 2017. The following schedule shows a comparison of the original General Fund budget, the final amended General Fund budget, and actual totals from operations:

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL
REVENUES	$ 10,663,334	$ 10,880,714	$ 10,700,025
EXPENDITURES			
Instruction	$ 6,669,449	$ 6,659,353	$ 6,537,068
Supporting Services	4,661,349	4,590,449	4,369,325
Community Activities	8,696	6,876	2,436
Payments to Other Districts	0	4,367	989
Total Expenditures	$ 11,339,494	$ 11,261,045	$ 10,909,818

The revenue budget was amended as it became clearer on the amounts the District would receive for local, state and federal sources, as well as other revenues. The expenditures were amended as it became clearer that original expenditures had been overestimated at the beginning of the year.

The revenue variance between budget and actual was primarily related to receiving less state and federal sources than projected. The expenditure variance was due to the District's continuing efforts to reduce costs throughout the District and also the fact that the District did not receive as much revenue as anticipated, therefore had less funds to expend.

H. Capital Asset and Debt Administration

1. Capital Assets

By the end of the 2016-2017 fiscal year, the District had invested $28,545,161 in a broad range of capital assets, including school buildings and facilities, school buses and other vehicles, and various types of equipment. Depreciation expense for the year amounted to $752,424 bringing the accumulated depreciation to $11,939,277 as of June 30, 2017. The District purchased a new bus for $80,267 and various pieces of equipment totaling $30,962 during the fiscal year. The District also disposed of various buses and vehicles totaling $224,389.

2. *Long-Term Debt*

At June 30, 2017, the District had $27,922,535 in long-term debt outstanding, including the current portion of long-term debt. This represents a decrease of $1,434,423 from the amount outstanding at the close of the prior fiscal year.

I. Factors Bearing on the District's Future

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

- All three of the District's union contracts expired in June 2016. Contracts have been approved for two of the union groups. The District does expect a positive negotiating atmosphere as all groups look to work together in order to improve Roscommon Area Public Schools' financial and academic success.

- The District continues its collaborative agreement with the Wexford-Missaukee Intermediate School District (WMISD) to provide business services for items including: payroll services, accounts payable and business management services. The agreement is a significant cost savings to employing staff to complete these tasks.

- While the costs of healthcare have continued to escalate, the District has provided various options for healthcare plans in an effort to control costs and to provide choices to its employees. Both union and non-union staff have a "hard-cap" in place that is below the maximum established by the State of Michigan.

- The current foundation allowance is scheduled to increase $120 from $7,511 to $7,631 for the 2017-2018 school year. Uncertainty does still surround the level at which districts will be funded for the student foundation allowance now and in the future.

- As it is with many other districts in the State of Michigan, declining enrollment is a continuous concern for the District. Roscommon Area Public Schools has formed a marketing committee which will work with staff, parents, and other members of the community to strategize ways to communicate the points of pride, including the academic programs offered by the District, to the community in an effort to promote the District.

J. Contacting the District's Financial Management

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report, or need additional financial information, please contact the Superintendent, Roscommon Area Public Schools, PO Box 825, 299H W Sunset Dr, Roscommon, Michigan 48653.

ROSCOMMON AREA PUBLIC SCHOOLS
ROSCOMMON, MICHIGAN

STATEMENT OF NET POSITION

JUNE 30, 2017

		GOVERNMENTAL ACTIVITIES
ASSETS		
CURRENT ASSETS		
Cash	$	2,606,396
Accounts Receivable		21,649
Due from Other Governments		892,663
Due from External Parties		9,696
Inventories		7,855
Prepaid Expenditures		82,162
Total Current Assets		3,620,421
NONCURRENT ASSETS		
Capital Assets		28,545,161
Less Accumulated Depreciation		(11,939,277)
Total Noncurrent Assets		16,605,884
TOTAL ASSETS		20,226,305
DEFERRED OUTFLOWS OF RESOURCES		
Related to Pension		1,999,468
Deferred Charges on Refunding		345,461
TOTAL DEFERRED OUTFLOWS OF RESOURCES		2,344,929
LIABILITIES		
CURRENT LIABILITIES		
Accounts Payable		300,482
Accrued Expenses		61,790
Accrued Interest Payable		97,495
Salaries Payable		691,041
Unearned Revenue		205,612
Due to Other Governments		73,024
Current Portion of Noncurrent Liabilities		1,006,666
Total Current Liabilities		2,436,110

The accompanying notes are an integral part of these financial statements.

ROSCOMMON AREA PUBLIC SCHOOLS
ROSCOMMON, MICHIGAN

STATEMENT OF NET POSITION

JUNE 30, 2017

	GOVERNMENTAL ACTIVITIES
NONCURRENT LIABILITIES	
Bonds Payable - Net	12,901,585
Compensated Absences	426,979
Retirement Incentive	16,666
Net Pension Liability	15,448,890
Less Current Portion of Non Current Liabilities	(1,006,666)
Total Non Current Liabilities	27,787,454
TOTAL LIABILITIES	30,223,564
DEFERRED INFLOWS OF RESOURCES	
Related to Pensions	1,109,852
NET POSITION	
Net Investment in Capital Assets	3,704,299
Restricted for Debt Service	169,826
Unrestricted (Deficit)	(12,636,307)
TOTAL NET POSITION	$ (8,762,182)

The accompanying notes are an integral part of these financial statements.

ROSCOMMON AREA PUBLIC SCHOOLS
ROSCOMMON, MICHIGAN

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2017

FUNCTIONS/PROGRAMS	EXPENSES	PROGRAM REVENUES: CHARGES FOR SERVICES	PROGRAM REVENUES: OPERATING GRANTS	PROGRAM REVENUES: CAPITAL GRANTS	GOVERNMENTAL ACTIVITIES: NET (EXPENSE) REVENUE AND CHANGES IN NET POSITION
GOVERNMENTAL ACTIVITIES					
Instruction	$ 6,126,880	$ 15,694	$ 1,708,423	$ 0	$ (4,402,763)
Supporting Services	4,394,600	283,370	381,653	0	(3,729,577)
Community Activities	15,692	0	3,154	0	(12,538)
Payments to Other Districts	989	0	0	0	(989)
Food Service Activities	656,381	233,284	409,788	0	(13,309)
Bond Issuance Costs	188,865	0	0	0	(188,865)
Interest on Long-Term Debt	820,197	0	0	0	(820,197)
Unallocated Depreciation	504,901	0	0	0	(504,901)
TOTAL GOVERNMENTAL ACTIVITIES	$ 12,708,505	$ 532,348	$ 2,503,018	$ 0	(9,673,139)
GENERAL REVENUES					
Property Taxes -General Purposes					7,360,807
Property Taxes -Debt Service					1,453,840
Investment Earnings -Unrestricted					2,141
State Sources					580,103
Gain on Sale of Assets					5,668
Other					329,592
Total General Revenues					9,732,151
Change in Net Position					59,012
NET POSITION - Beginning of Year (deficit)					(8,821,194)
NET POSITION - End of Year (deficit)					$ (8,762,182)

The accompanying notes are an integral part of these financial statements.

ROSCOMMON AREA PUBLIC SCHOOLS
ROSCOMMON, MICHIGAN

BALANCE SHEET
GOVERNMENTAL FUNDS

JUNE 30, 2017

	GENERAL FUND	SPECIAL REVENUE FUND	DEBT SERVICE FUNDS				
		FOOD SERVICE	2005 DEBT RETIREMENT FUND	2008 DEBT RETIREMENT FUND	2016 DEBT RETIREMENT FUND	2017 DEBT RETIREMENT FUND	TOTAL GOVERNMENTAL FUNDS
ASSETS							
Cash	$2,325,989	$ 13,109	$ 22,738	$ 87,080	$ 152,480	$ 5,000	$ 2,606,396
Accounts Receivable	9,785	11,864	0	0	0	0	21,649
Due from Other Governments	892,663	0	0	0	0	0	892,663
Due from Other Funds	9,746	21,793	0	22,723	0	122,017	176,279
Inventory	0	7,855	0	0	0	0	7,855
Prepaid Expenditures	22,162	60,000	0	0	0	0	82,162
TOTAL ASSETS	$3,260,345	$114,621	$ 22,738	$ 109,803	$ 152,480	$ 127,017	$ 3,787,004
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES							
LIABILITIES							
Accounts Payable	$ 273,017	$ 27,465	$ 0	$ 0	$ 0	$ 0	$ 300,482
Accrued Expenses	61,790	0	0	0	0	0	61,790
Salaries and Benefits Payable	691,041	0	0	0	0	0	691,041
Unearned Revenue	203,337	2,275	0	0	0	0	205,612
Due to Other Funds	21,866	0	22,738	101,162	20,817	0	166,583
Due to Other Governments	73,024	0	0	0	0	0	73,024
Total Liabilities	1,324,075	29,740	22,738	101,162	20,817	0	1,498,532
DEFERRED INFLOWS OF RESOURCES							
Unavailable Revenue - Settlement Proceeds	191,550	0	0	0	0	0	191,550

The accompanying notes are an integral part of these financial statements.

ROSCOMMON AREA PUBLIC SCHOOLS
ROSCOMMON, MICHIGAN

BALANCE SHEET
GOVERNMENTAL FUNDS

JUNE 30, 2017

	GENERAL FUND	SPECIAL REVENUE FUND FOOD SERVICE	DEBT SERVICE FUNDS 2005 DEBT RETIREMENT FUND	DEBT SERVICE FUNDS 2008 DEBT RETIREMENT FUND	DEBT SERVICE FUNDS 2016 DEBT RETIREMENT FUND	DEBT SERVICE FUNDS 2017 DEBT RETIREMENT FUND	TOTAL GOVERNMENTAL FUNDS
FUND BALANCE							
Nonspendable, Inventory	0	7,855	0	0	0	0	7,855
Nonspendable for Prepaid Expenditures	22,162	60,000	0	0	0	0	82,162
Restricted for:							
Food Service	0	17,026	0	0	0	0	17,026
Debt Service	0	0	0	8,641	131,663	127,017	267,321
Committed for Compensated Absences	426,979	0	0	0	0	0	426,979
Assigned for Subsequent Year							
Budget Shortfall	770,291	0	0	0	0	0	770,291
Unassigned	525,288	0	0	0	0	0	525,288
Total Fund Balances	1,744,720	84,881	0	8,641	131,663	127,017	2,096,922
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	$3,260,345	$114,621	$ 22,738	$ 109,803	$ 152,480	$ 127,017	$ 3,787,004

The accompanying notes are an integral part of these financial statements.

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ROSCOMMON AREA PUBLIC SCHOOLS
ROSCOMMON, MICHIGAN

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

JUNE 30, 2017

Total Governmental Fund Balances		$ 2,096,922
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets used in governmental activities are not financial resources and are not reported in the funds.		
The cost of the capital assets is	$ 28,545,161	
Accumulated depreciation is	(11,939,277)	16,605,884
Long-term liabilities are not due and payable in the current period and are not reported in the funds.		
Bonds Payable		(12,030,000)
Compensated Absences		(426,979)
Retirement Incentive		(16,666)
Long-term receivables are not available to pay current period expenditures and therefore are unavailable in governmental funds.		
Settlement Proceeds		191,550
Governmental funds expense the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities.		
Bond Discount (Premium) Net of Amortization		(871,585)
Bond Deferred (Gain) Loss on Refunding		345,461
Some liabilities, including net pension obligations, are not due and payable in the current period and, therefore, are not reported in the funds.		
Net Pension Liability		(15,448,890)
Deferred outflows and (inflows) of resources related to pensions are applicable to future periods and, therefore, are not reported in the funds.		
Deferred Outflows of Resources Related to Pension		1,999,468
Deferred Inflows of Resources Related to Pensions		(1,109,852)
Accrued interest on long-term debt is not included as a liability in governmental funds, it is recorded when paid.		(97,495)
NET POSITION OF GOVERNMENTAL ACTIVITIES		$ (8,762,182)

The accompanying notes are an integral part of these financial statements.

ROSCOMMON AREA PUBLIC SCHOOLS
ROSCOMMON, MICHIGAN

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

YEAR ENDED JUNE 30, 2017

		SPECIAL REVENUE FUND	DEBT SERVICE FUNDS				
	GENERAL FUND	FOOD SERVICE	2005 DEBT RETIREMENT FUND	2008 DEBT RETIREMENT FUND	2016 DEBT RETIREMENT FUND	2017 DEBT RETIREMENT FUND	TOTAL GOVERNMENTAL FUNDS
REVENUES							
Local Sources	$ 7,620,729	$ 233,784	$ 422,701	$ 693,147	$ 216,893	$ 121,944	$ 9,309,198
State Sources	1,929,300	22,303	1,110	2,062	617	0	1,955,392
Federal Sources	972,016	387,485	0	0	0	0	1,359,501
Other Transactions	177,980	0	0	0	0	0	177,980
Total Revenues	10,700,025	643,572	423,811	695,209	217,510	121,944	12,802,071
EXPENDITURES							
Instruction							
Basic Programs	5,301,229	0	0	0	0	0	5,301,229
Added Needs	1,235,839	0	0	0	0	0	1,235,839
Supporting Services							
Pupil	221,658	0	0	0	0	0	221,658
Pupil - ISD Services	226,853	0	0	0	0	0	226,853
Instructional Staff	301,006	0	0	0	0	0	301,006
General Administration	303,895	0	0	0	0	0	303,895
School Administration	713,799	0	0	0	0	0	713,799
Business	194,146	0	255	667	19	0	195,087
Operation and Maintenance	1,270,332	0	0	0	0	0	1,270,332
Pupil Transportation Services	584,710	0	0	0	0	0	584,710
Central Services	263,979	0	0	0	0	0	263,979
Athletic Activities	288,947	0	0	0	0	0	288,947
Community Activities	2,436	0	0	0	0	0	2,436
Payments to Other Districts	989	0	0	0	0	0	989
Food Service Activities	0	633,366	0	0	0	0	633,366

The accompanying notes are an integral part of these financial statements.

ROSCOMMON AREA PUBLIC SCHOOLS
ROSCOMMON, MICHIGAN

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

YEAR ENDED JUNE 30, 2017

	GENERAL FUND	SPECIAL REVENUE FUND	DEBT SERVICE FUNDS				TOTAL GOVERNMENTAL FUNDS
		FOOD SERVICE	2005 DEBT RETIREMENT FUND	2008 DEBT RETIREMENT FUND	2016 DEBT RETIREMENT FUND	2017 DEBT RETIREMENT FUND	
Debt Service							
Principal	0	0	400,000	440,000	0	0	840,000
Bond Issuance Costs	0	0	0	0	98,968	89,897	188,865
Interest and Fiscal Charges	0	0	20,300	441,706	229,728	119,225	810,959
Total Expenditures	10,909,818	633,366	420,555	882,373	328,715	209,122	13,383,949
Excess (Deficiency) of Revenues Over Expenditures	(209,793)	10,206	3,256	(187,164)	(111,205)	(87,178)	(581,878)
OTHER FINANCING SOURCES (USES)							
Proceeds from Sale of Capital Assets	5,668	0	0	0	0	0	5,668
Face Value of Debt	0	0	0	0	6,155,000	4,995,000	11,150,000
Premium on Bonds Issued	0	0	0	0	529,716	337,010	866,726
Payments to Escrow Agent	0	0	0	0	(6,481,248)	(5,237,815)	(11,719,063)
Transfer In	0	1,899	0	24,587	39,400	120,000	185,886
Transfer Out	(1,899)	0	(42,237)	(141,750)	0	0	(185,886)
Total Other Financing Sources (Uses)	3,769	1,899	(42,237)	(117,163)	242,868	214,195	303,331
Net Change in Fund Balance	(206,024)	12,105	(38,981)	(304,327)	131,663	127,017	(278,547)
FUND BALANCE - Beginning of Year	1,950,744	72,776	38,981	312,968	0	0	2,375,469
FUND BALANCE - End of Year	$ 1,744,720	$ 84,881	$ 0	$ 8,641	$ 131,663	$ 127,017	$ 2,096,922

The accompanying notes are an integral part of these financial statements.

ROSCOMMON AREA PUBLIC SCHOOLS
ROSCOMMON, MICHIGAN

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

YEAR ENDED JUNE 30, 2017

Net Change in Fund Balances Total Governmental Funds	$	(278,547)
Amounts reported for governmental activities are different because:		
Governmental funds report capital outlays as expenditures. In the Statement of Activities, these costs are allocated over their estimated useful lives as depreciation.		
Depreciation Expense		(752,424)
Capital Outlay		111,229
Accrued interest on bonds is recorded in the Statement of Activities when incurred; it is not recorded in governmental funds until it is paid:		
Accrued Interest Payable - Beginning of Year		100,510
Accrued Interest Payable - End of Year		(97,495)
The issuance of Long-Term Debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities.		
Repayment of Bond Principal		840,000
Issuance of Debt		(11,150,000)
Defeasance of Debt		11,330,000
Bond Premium		(866,726)
Amortization of Bond Premium		31,349
Bond Deferred (Gain) Loss on Refunding		389,063
Amortization of Bond Deferred Loss on Refunding		(43,602)
Employees' compensated absences 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:		
Retirement Incentive - Beginning of Year		33,333
Retirement Incentive - End of Year		(16,666)
Compensated Absences - Beginning of Year		475,251
Compensated Absences - End of Year		(426,979)

The accompanying notes are an integral part of these financial statements.

ROSCOMMON AREA PUBLIC SCHOOLS
ROSCOMMON, MICHIGAN

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

YEAR ENDED JUNE 30, 2017

Revenue is recorded on the accrual method in the Statement of Activities; in the governmental funds it is recorded on the modified accrual method and not considered available:	
Unavailable Revenue - Beginning of Year	0
Unavailable Revenue - End of Year	191,550
Governmental funds report district pension contributions as expenditures. However, in the Statement of Activities, the cost of pension benefits earned net of employee contributions is reported as a pension expense.	
Change in Pension Related Items	420,938
Change in Restricted Revenue Reported in the Governmental Funds that is deferred to offset the deferred outflows related to Section 147c pension contributions subsequent to the measurement period:	
State Aid Funding for Pension	(231,772)
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	$ 59,012

The accompanying notes are an integral part of these financial statements.

ROSCOMMON AREA PUBLIC SCHOOLS
ROSCOMMON, MICHIGAN

STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS

JUNE 30, 2017

	AGENCY FUND
ASSETS	
Cash	$ 168,696
LIABILITIES	
Due to Other Funds	9,696
Due to Groups and Organizations	159,000
TOTAL LIABILITIES	168,696
NET POSITION	$ 0

The accompanying notes are an integral part of these financial statements.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

The School District is located in Roscommon County with its administrative offices located in Roscommon, Michigan. The District operates under an elected 7-member board of education and provides services to its 1,058 students in elementary, middle school, high school, special education, transportation, food service, and athletics. The District receives funding from local, state, and federal government sources and must comply with all of the requirements of these funding source entities. The District is not included in any other governmental reporting entity as defined by generally accepted accounting principles. Board members are elected by the public and have decision-making authority, the power to designate management, the ability to significantly influence operations, and the primary accountability for fiscal matters. The District's reporting entity does not contain any component units as defined in Governmental Accounting Standards Board Statement No. 14.

B. Description of Government-Wide Financial Statements

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

C. Basis of Presentation – Government-Wide Financial Statements

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

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

D. Basis of Presentation – Fund Financial Statements

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

The District reports the following major governmental funds:

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

The *food service fund* is a special revenue fund and accounts for revenue sources that are legally restricted to expenditures for specific purposes related to food service activities.

The 2005, 2008, 2016 and 2017 *debt service funds* account for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.

Additionally, the District reports the following fund type:

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

The District reports the following fiduciary fund:

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

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

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

E. Measurement Focus and Basis of Accounting

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

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

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

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

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

F. Budgetary Information

1. Budgetary Basis of Accounting

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

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

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

(a) The superintendent or business manager submits to the School Board a proposed operating budget for the fiscal year commencing on July 1. The operating budget includes proposed expenditures and the means of financing them. The level of control for the budgets is at the functional level as set forth and presented as required supplementary information.

(b) Public hearings are conducted to obtain taxpayer comments.

(c) The budget is legally adopted by School Board resolution pursuant to the Uniform Budgeting and Accounting Act. The Act requires that the budget be amended prior to the end of the fiscal year when necessary to adjust appropriations if it appears that revenues and other financing sources will be less than anticipated or so that expenditures will not be in excess of original estimates. Expenditures shall not be made or incurred, unless authorized in the budget, in excess of the amount appropriated. Violations if any are noted in the required supplementary information section.

(d) The superintendent is charged with general supervision of the budgets and shall hold the department heads responsible for performance of their responsibilities.

(e) During the year the budgets are monitored and amendments to the budget resolution are made when it is deemed necessary.

(f) Budgeted amounts are as originally adopted on June 21, 2016, or as amended by the School Board of Education at various times throughout the year.

2. *Excess of Expenditures over Appropriations*

General Fund:
Supporting Services:

a) Pupil expenditures of $221,658 exceeded appropriations of $218,943.

b) Pupil – ISD Services expenditures of $226,853 exceeded appropriations of $223,338.

Food Service Fund expenditures of $633,366 exceeded appropriations of $562,844.

These overages were funded with available fund balance and greater than anticipated revenues.

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

1. Cash and Cash Equivalents

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

2. Investments

Investments – Certain investments are valued at fair value as determined by quoted market prices, or by estimated fair values when quoted market prices are not available. Standards also provide that certain investments are valued at cost (or amortized cost) when they are of a short-term and duration the rate of return is fixed, and the District intends to hold the investment until maturity.

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

(a) Bonds, bills, or notes of the United States, or obligations, the principal and interest of which are fully guaranteed by the United States Government.

(b) Certificates of deposit issued by any state or national bank organized and authorized to operate in this state.

(c) Commercial paper rated prime at the time of purchase and maturing not more than 270 days after the date of purchase.

(d) Securities issued or guaranteed by agencies or instrumentalities of the United States.

3. Inventory and Prepaid Items

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

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

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

4. Capital Assets

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

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

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

Land Improvements	20 years
Buildings and Improvements	10 - 50 years
Machinery and Equipment	5 - 15 years
Vehicles and Buses	8 years

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

5. *Unearned Revenue*

Unearned revenue arises when resources are received by the District before it has a legal claim to them. In subsequent periods, when both revenue recognition criteria are met, or when the government has a legal claim to the resources, revenue is recognized. The District has unearned grant revenue in the general fund and unearned revenue in the food service fund related to student balances at the end of the fiscal year.

6. *Deferred Outflows/Inflows of Resources*

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

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

7. *Long-Term Obligations*

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

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

8. Pension

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Michigan Public School Employees Retirement System (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.

9. Net Position Flow Assumption

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

10. Fund Balance Flow Assumption

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

11. Fund Balance Policies

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

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

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

12. Use of Estimates

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

H. Revenues and Expenditures/Expenses

1. State Revenue

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

The state portion of the foundation is provided primarily by a state education property tax millage of 6 mills on Principal Residence Exemption (PRE) property and an allocated portion of state sales and other taxes. The local portion of the foundation is funded primarily by Non-PRE property taxes (formerly known as Non-Homestead) which may be levied at a rate of up to 6 mills for commercial personal property and up to 18 mills for real property. The state revenue is recognized during the foundation period and is funded through payments from October 2016 to August 2017. Thus, the unpaid portion at June 30th is reported as due from other governmental units.

The District also receives revenue from the state to administer certain categorical education programs. State rules require that revenue earmarked for these programs be used for its specific purpose. Certain governmental funds require an accounting to the state of the expenditures incurred. For categorical funds meeting this requirement, funds received, which are not expended by the close of the fiscal year are recorded as unearned revenue. Other categorical funding is recognized when the appropriation is received.

2. *Program Revenues*

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

3. *Property Taxes*

Property taxes levied by the District are collected by various municipalities and periodically remitted to the District. The taxes are billed as of December 1. The due date is February 14, after which time the bills become delinquent and penalties and interest may be assessed by the collecting entity.

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

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

Fund	Mills
General Fund - Non-Principal Residence Exemption (PRE)	18.0000
General Fund - Non-PRE Commercial Personal Property	6.0000
Debt Service Fund - PRE, Non-PRE, Commercial Personal Property	2.1400

4. *Compensated Absences*

It is the District's policy to permit employees to accumulate earned but unused sick pay benefits. The amount allowable to be compensated for depends on the position and the longevity of the individual employee. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee death and retirements.

NOTE 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Violations of Legal or Contractual Provisions

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

NOTE 3 – DETAILED NOTES ON ALL ACTIVITIES AND FUNDS

A. Deposits and Investments

Custodial credit risk – deposits. In the case of deposits, this is the risk that in the event of a bank failure, the District's deposits may not be returned to it. As of June 30, 2017, the District's bank balance was $3,072,555 and $2,073,872 of that amount was exposed to custodial credit risk because it was uninsured and uncollateralized. The risk is spread amongst the District's funds. Although the District's investment policy does not directly address custodial credit risk, it typically limits its exposure by purchasing insured or registered investments or by controlling who holds the deposits.

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

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

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

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

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

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

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

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

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

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

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

The carrying amount of deposits and investments is as follows:

	Total
Deposits – including Fiduciary Funds of $168,696	$ 2,775,092

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

	Total
Cash - Fiduciary Funds	$ 168,696
Cash - District-Wide	2,606,396
	$ 2,775,092

B. Receivables

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

	GENERAL FUND	FOOD SERVICE	TOTAL
Accounts Receivable	$ 9,785	$ 11,864	$ 21,649
Due from Other Governments	892,663	0	892,663
	$ 902,448	$ 11,864	$ 914,312

Amounts due from other governments include amounts due from federal, state, and local sources for various projects and programs. The allowance for doubtful accounts is not considered to be material for disclosure.

C. Capital Assets

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

	Balance July 1, 2016	Additions	Deletions	Balance June 30, 2017
Capital assets not being depreciated - Land	$ 76,258	$ 0	$ 0	$ 76,258
Capital assets being depreciated				
Land improvements	1,348,838	0	0	1,348,838
Buildings and improvements	23,850,446	0	0	23,850,446
Machinery and equipment	2,145,007	30,962	0	2,175,969
Vehicles and buses	1,237,772	80,267	(224,389)	1,093,650
Subtotal	28,582,063	111,229	(224,389)	28,468,903
Less accumulated depreciation for:				
Land improvements	656,992	57,812	0	714,804
Buildings and improvements	8,069,817	490,182	0	8,559,999
Machinery and equipment	1,685,537	122,661	0	1,808,198
Vehicles and buses	998,896	81,769	(224,389)	856,276
Accumulated depreciation	11,411,242	752,424	(224,389)	11,939,277
Net capital assets being depreciated	17,170,821	(641,195)	0	16,529,626
Net capital assets	$ 17,247,079	$ (641,195)	$ 0	$ 16,605,884

Depreciation for the fiscal year ended June 30, 2017, amounted to $752,424.

Depreciation expense was allocated to governmental activities as follows:

Instruction	$ 90,953
Support Services	133,508
Community Activities	11,541
Food Services	11,521
Unallocated	504,901
Total Governmental Activities Depreciation Expense	$ 752,424

D. Defined Benefit Plan and Post-Retirement Benefits

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

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

The System's separately issued financial statements are available at www.michigan.gov/mpsers-cafr.

Benefit Provisions- Pension

Introduction

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

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

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

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

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

Pension Reform 2010

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

Pension Reform 2012

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

Regular Retirement

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

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

Pension Plus

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

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

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

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

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

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

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

Member Contributions

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

Employer Contributions

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

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

Pension Contribution Rates

Benefit Structure	Member	Employer
Basic	0.0-4.0%	18.95%
Member Investment Plan	3.0-7.0%	18.95%
Pension Plus	3.0-6.4%	17.73%
Defined Contribution	0.0%	14.56%

The District's pension contributions for the year ended June 30, 2017 were equal to the required contribution total. Pension contributions were approximately $1,424,869. These amounts include contributions funded from state revenue Section 147c restricted to fund MPSERS Unfunded Actuarial Accrued Liability (UAAL) Stabilization Rate (72.88% for pension and 27.12% for OPEB).

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

Pension Liabilities

At June 30, 2017, the District reported a liability of $15,448,890 for its proportionate share of the net pension liability. The net pension liability was measured as of September 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation date of September 30, 2015 and rolled-forward using generally accepted actuarial procedures. The District's proportion of the net pension liability was based on a projection of its long-term share of contributions to the pension plan relative to the projected contributions of all participating reporting units, actuarially determined. At September 30, 2016 and 2015, the District's proportion was 0.0619214% and 0.0646811%.

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

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

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

For the year ended June 30, 2017, the District recognized total pension expense of $538,001. This amount excludes contributions funded from state revenue Section 147c restricted to fund the MPSERS Unfunded Actuarial Accrued Liability (UAAL) Stabilization Rate.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 192,534	$ 36,614
Changes of assumptions	241,531	0
Net difference between projected and actual earnings on pension plan investments	256,760	0
Changes in proportion and differences between District contributions and proportionate share of contributions	0	607,308
District section 147c revenue related to pension contributions subsequent to the measurement date	0	465,930
District contributions subsequent to the measurement date	1,308,643	0
Total	$ 1,999,468	$ 1,109,852

$1,308,643 reported as deferred outflows of resources and $465,930 reported as deferred inflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a net reduction of the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources (+) and deferred inflows of resources (-) related to pensions will be recognized in pension expense as follows:

Year Ended September 30,	Amount
2017	$ (54,202)
2018	(74,394)
2019	205,278
2020	(29,779)
	$ 46,903

F. Actuarial Valuations and Assumptions of the Pension Plan

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

Additional information as of the latest actuarial valuation follows:

Summary of Actuarial Assumptions

Valuation Date:	September 30, 2015
Actuarial Cost Method:	Entry Age, Normal
Wage Inflation Rate:	3.50%
Investment Rate of Return	
-MIP and Basic Plans (Non-Hybrid):	8.00%
-Pension Plus Plan (Hybrid):	7.00%
Projected Salary Increases:	3.5-12.3 % including wage inflation at 3.5%
Cost of Living Pension Adjustments:	3% Annual Non-Compounded for MIP Members
Mortality:	RP-2000 Male and Female Combine Healthy Life Mortality Tables, adjusted for mortality improvements to 2025 using projection scale BB. This assumption was first used for the September 30, 2014 valuation of the System. For retirees, 100% of the table rates were used. For active members, 80% of the table rates were used for males and 70% of the table rates were used for females.

Notes:

- Assumption changes as a result of an experience study for the periods 2007 through 2012 have been adopted by the System for use in the annual pension valuations beginning with the September 30, 2014 valuation. The total pension liability as of September 30, 2016, is based on the results of an actuarial valuation date of September 30, 2015, and rolled forward using generally accepted actuarial procedures, including the experience study.

- Recognition period for liabilities is the average of the expected remaining service lives of all employees in years: 4.6273.

- Recognition period for assets in years is 5.0000.

- Full actuarial assumptions are available in the 2016 MPSERS Comprehensive Annual Financial Report.

Long-Term Expected Rate of Return on Investments

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

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

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

Discount Rate

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

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

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

1% Decrease (Non-Hybrid/Hybrid) 7.0% / 6.0%	Current Single Discount Rate Assumption (Non-Hybrid/Hybrid) 8.0% / 7.0%	1% Increase (Non-Hybrid/Hybrid) 9.0% / 8.0%
$ 19,894,282	$ 15,448,890	$ 11,700,997

G. Pension Plan Fiduciary Net Position

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

H. Payables to the Pension Plan

As of June 30, 2017, the District is current on all required pension plan payments. As of June 30, 2017, the District reported payables in the amount of $174,342 to the pension plan. These amounts represent current payments for June wages paid in July, accruals for summer pay primarily for teachers and also the contributions due funded from state revenue Section 147c restricted to fund the MPSERS Unfunded Actuarial Accrued Liability (UAAL) Stabilization Rate.

I. Benefit Provisions – Other Post-Employment

Introduction

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

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

Retiree Healthcare Reform of 2012

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

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

Employer Contributions

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

The District's contributions to MPSERS for post-employment healthcare contributions for the years ended June 30, 2017, 2016 and 2015 were approximately $483,000, $489,000, and $138,000.

J. Risk Management

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

The District continues to carry commercial insurance for various risks of loss, including general liability, property and casualty, employee health and accident insurance, and workers' disability compensation.

The District has had no settled claims resulting from these risks that exceeded its commercial coverage in any of the prior three years.

K. Long-Term Debt

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

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

	BONDS	COMPENSATED ABSENCES AND RETIREMENT INCENTIVES	NET PENSION LIABILITY	TOTAL
Debt Payable at Beginning of Year	$ 13,050,000	$ 508,584	$ 15,798,374	$ 29,356,958
Increase in Debt	11,150,000	0	1,040,994	12,190,994
Debt Retired	(12,170,000)	(64,939)	(1,390,478)	(13,625,417)
Debt Payable End of Year	12,030,000	443,645	15,448,890	27,922,535
Less Current Portion	990,000	16,666	unknown	1,006,666
Net Long-Term Debt	$ 11,040,000	$ 426,979	$ 15,448,890	$ 26,915,869

At June 30, 2017, the District's long-term debt consisted of the following issues:

2017 Refunding Bonds Due in Annual Installments of $935,000 to $1,050,000 through May 1, 2023 at 3.0% to 4.0%	$ 4,995,000
2016 Refunding Bonds Due in Annual Installments of $110,000 to $1,310,000 through May 1, 2028, Interest at 4.0%	6,155,000
2008 General Obligation Bonds Due in Annual Installments of $880,000 through May 1, 2018, Interest at 5.0%	880,000
Compensated Absences	426,979
Retirement Incentive	16,666
Net Pension Liability	15,448,890
	$ 27,922,535

The requirements to amortize debt outstanding as of June 30, 2017, including interest of $3,023,482 are as follows:

	Bonds		Retirement Incentive		Amount
Year Ending June 30,	Principal	Interest	Principal	Interest	Payable
2018	$ 990,000	$ 499,482	$ 16,666	$ 0	$ 1,506,148
2019	935,000	431,100	0	0	1,366,100
2020	960,000	393,700	0	0	1,353,700
2021	1,000,000	355,300	0	0	1,355,300
2022	1,050,000	315,300	0	0	1,365,300
2023-2027	5,785,000	976,200	0	0	6,761,200
2028	1,310,000	52,400	0	0	1,362,400
	$ 12,030,000	$ 3,023,482	$ 16,666	$ 0	15,070,148
Compensated Absences					426,979
Net Pension					15,448,890
					$ 30,946,017

The annual requirements to amortize the compensated absences and the net pension liability are uncertain because it is unknown when it will be used. Compensated absences and the net pension liability will be paid by the fund in which the employee worked, including the general fund and other governmental funds.

L. Interfund Receivables and Payables

Interfund Receivables and Payables as shown in the individual fund financial statements at June 30, 2017, were:

	INTERFUND RECEIVABLES	INTERFUND PAYABLES
General Fund	$ 9,746	$ 21,866
Food Service Fund	21,793	0
2017 Debt Retirement Fund	122,017	0
2016 Debt Retirement Fund	0	20,817
2008 Debt Retirement Fund	22,723	101,162
2005 Debt Retirement Fund	0	22,738
Fiduciary Fund - Agency Fund	0	9,696
TOTAL	$ 176,279	$ 176,279

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

Interfund transfers as shown in the individual fund financial statements at June 30, 2017, were:

	TRANSFERS IN	TRANSFERS OUT
General Fund	$ 0	$ 1,899
Food Service Fund	1,899	0
2005 Debt Retirement Fund	0	42,237
2008 Debt Retirement Fund	24,587	141,750
2016 Debt Retirement Fund	39,400	0
2017 Debt Retirement Fund	120,000	0
	$ 185,886	$ 185,886

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

N. Tax Abatements

Effective for the year ended June 30, 2017, the District is required to disclose significant tax abatements as required by GASB Statement No. 77. The District receives reduced property tax revenues as a result of the Industrial Facilities Tax exemptions granted by Higgins Township in Roscommon County and Beaver Creek Township in Crawford County within the District. Industrial Facility exemptions are intended to promote construction of new industrial facilities or rehabilitate historical facilities. The property taxes abated for the year ended June 30, 2017 (tax year 2016) for all funds by the Townships noted above under this program are as follows:

General Fund	$	6,928
Debt Funds		3,066
	$	9,994

The District is considered an "in-formula" District. The taxes abated for the general fund operating millage are considered by the State of Michigan when determining the District's Section 22 funding of the State School Aid Act. The District received $6,928 from the State of Michigan's determination.

O. Upcoming Accounting Pronouncements

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

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

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

P. Other Information

1. Commitments and Contingencies

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

2. Subsequent Events

The District is in the process of borrowing short-term debt for cash flow purposes in the amount of $2,300,000. No adjustment was made to the financial statements for the year ending June 30, 2017 related to this subsequent event.

3. 2016 Refunding Bonds

On December 22, 2016, the District issued $6,155,000 in General Obligation Bonds with an interest rate of 4.0% to advance refund $6,280,000 of outstanding 2008 Building and Site Bonds with interest rates of 4.0% to 5.0%. The net proceeds of $6,583,354 (after payment of underwriting fees, and issuance costs) plus an additional $39,400 of 2005 and 2008 Debt Retirement Fund monies were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the 2008 Building and Site Bonds. On May 1, 2018, the escrow agent will use the funds to call in and retire $6,280,000 of the remaining 2008 Building and Site Bonds outstanding at June 30, 2017.

The net carrying amount of the old debt exceeded the reacquisition price by $529,716. This amount is being netted against the new debt and amortized over the remaining life of the refunded debt, which is the same life of the new debt issued. This refunding was undertaken to reduce total future debt service payments by $520,929 and resulted in an economic gain of $415,429.

4. 2017 Refunding Bonds

On March 23, 2017, the District issued $4,995,000 in General Obligation Bonds with interest rates of 3.0% to 4.0% to advance refund $5,050,000 of outstanding 2008 Building and Site Bonds with interest rates of 4.0% to 5.0%. The net proceeds of $5,477,040 (after payment of underwriting fees, and issuance costs) plus an additional $120,000 of 2008 Debt Retirement Fund monies were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the 2008 Building and Site Bonds. On May 1, 2018, the escrow agent will use the funds to call in and retire $5,050,000 of the remaining 2008 Building and Site Bonds outstanding at June 30, 2017.

The net carrying amount of the old debt exceeded the reacquisition price by $337,010. This amount is being netted against the new debt and amortized over the remaining life of the refunded debt, which is the same life of the new debt issued. This refunding was undertaken to reduce total future debt service payments by $274,593 and resulted in an economic gain of $253,896.

ROSCOMMON AREA PUBLIC SCHOOLS
ROSCOMMON, MICHIGAN

REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
MAJOR FUNDS

YEAR ENDED JUNE 30, 2017

	GENERAL FUND			FOOD SERVICE FUND		
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL
REVENUES						
Local Sources	$ 7,661,519	$ 7,626,730	$ 7,620,729	$ 210,000	$ 200,000	$ 233,784
State Sources	1,686,692	1,978,088	1,929,300	26,000	17,693	22,303
Federal Sources	1,300,123	1,092,746	972,016	360,000	384,679	387,485
Other Transactions	15,000	183,150	177,980	0	0	0
Total Revenues	10,663,334	10,880,714	10,700,025	596,000	602,372	643,572
EXPENDITURES						
Instruction						
Basic Programs	5,310,938	5,372,857	5,301,229	0	0	0
Added Needs	1,358,511	1,286,496	1,235,839	0	0	0
Supporting Services						
Pupil	228,773	218,943	221,658	0	0	0
Pupil - ISD Services	294,890	223,338	226,853	0	0	0
Instructional Staff	526,648	368,503	301,006	0	0	0
General Administration	317,345	318,146	303,895	0	0	0
School Administration	625,911	719,513	713,799	0	0	0
Business	245,377	209,263	194,146	0	0	0
Operation and Maintenance	1,241,273	1,295,722	1,270,332	0	0	0
Pupil Transportation Services	671,215	643,303	584,710	0	0	0
Central Services	244,949	284,368	263,979	0	0	0
Athletic Activities	264,968	309,350	288,947	0	0	0
Community Activities	8,696	6,876	2,436	0	0	0
Payments to Other Districts	0	4,367	989	0	0	0
Food Service Activities	0	0	0	571,000	562,844	633,366
Total Expenditures	11,339,494	11,261,045	10,909,818	571,000	562,844	633,366
Excess (Deficiency) of Revenues Over Expenditures	(676,160)	(380,331)	(209,793)	25,000	39,528	10,206
OTHER FINANCING SOURCES (USES)						
Proceeds from Sale of Capital Assets	0	0	5,668	0	0	0
Transfers In	0	0	0	0	1,500	1,899
Transfers Out	0	(1,500)	(1,899)	0	0	0
Total Other Financing Sources (Uses)	0	(1,500)	3,769	0	1,500	1,899
Net Change in Fund Balance	(676,160)	(381,831)	(206,024)	25,000	41,028	12,105
FUND BALANCE - Beginning of Year	1,842,944	1,950,744	1,950,744	24,982	72,776	72,776
FUND BALANCE - End of Year	$ 1,166,784	$ 1,568,913	$ 1,744,720	$ 49,982	$ 113,804	$ 84,881

The accompanying notes are an integral part of these financial statements.

ROSCOMMON AREA PUBLIC SCHOOLS
ROSCOMMON, MICHIGAN

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

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
District's proportion of net pension liability (%)								0.06192140%	0.06468109%	0.06533000%
District's proportionate share of net pension liability								$ 15,448,890	$ 15,798,374	$ 14,390,381
District's covered-employee payroll								$ 5,098,713	$ 5,383,819	$ 5,447,545
District's proportionate share of net pension liability as a percentage of its covered-employee payroll								303.00%	293.44%	264.16%
Plan fiduciary net position as a percentage of total pension liability								63.27%	63.17%	66.20%

ROSCOMMON AREA PUBLIC SCHOOLS
ROSCOMMON, MICHIGAN

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

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Statutorily required contributions								$ 1,424,869	$ 1,247,782	$ 2,328,000
Contributions in relation to statutorily required contributions *								1,424,869	1,247,782	2,328,000
Contribution deficiency (excess)								$ 0	$ 0	$ 0
Covered-Employee Payroll								$ 5,044,901	$ 5,093,302	$ 5,447,545
Contributions as a percentage of covered-employee payroll								28.24%	24.50%	42.73%

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

ROSCOMMON AREA PUBLIC SCHOOLS
ROSCOMMON, MICHIGAN

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

A. Changes of Benefit Terms:

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

B. Changes of Assumptions:

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

ROSCOMMON AREA PUBLIC SCHOOLS
ROSCOMMON, MICHIGAN

2008 BUILDING AND SITE BONDS
JUNE 30, 2017

AMOUNT OF ISSUE		$ 15,005,000
AMOUNT REEDEMED		
Current Year	$ 440,000	
Current Year Paid to Escrow Agent/Refunded	11,330,000	
Prior Years	2,355,000	14,125,000
BALANCE OUTSTANDING - June 30, 2017		$ 880,000

DUE DATES	INTEREST RATES	REQUIREMENTS PRINCIPAL	INTEREST	TOTAL
November 1, 2017			$ 22,000	$ 22,000
May 1, 2018	5.000%	$ 880,000	22,000	902,000
		$ 880,000	$ 44,000	$ 924,000

ROSCOMMON AREA PUBLIC SCHOOLS
ROSCOMMON, MICHIGAN

2016 REFUNDING BONDS
JUNE 30, 2017

AMOUNT OF ISSUE		$ 6,155,000
AMOUNT REDEEMED		
Current Year	$ 0	
Prior Years	0	0
BALANCE OUTSTANDING - June 30, 2017		$ 6,155,000

DUE DATES	INTEREST RATES	REQUIREMENTS PRINCIPAL	INTEREST	TOTAL
November 1, 2017			$ 123,100	123,100
May 1, 2018	4.000%	$ 110,000	123,100	233,100
November 1, 2018			120,900	120,900
May 1, 2019			120,900	120,900
November 1, 2019			120,900	120,900
May 1, 2020			120,900	120,900
November 1, 2020			120,900	120,900
May 1, 2021			120,900	120,900
November 1, 2021			120,900	120,900
May 1, 2022			120,900	120,900
November 1, 2022			120,900	120,900
May 1, 2023			120,900	120,900
November 1, 2023			120,900	120,900
May 1, 2024	4.000%	1,115,000	120,900	1,235,900
November 1, 2024			98,600	98,600
May 1, 2025	4.000%	1,160,000	98,600	1,258,600
November 1, 2025			75,400	75,400
May 1, 2026	4.000%	1,205,000	75,400	1,280,400
November 1, 2026			51,300	51,300
May 1, 2027	4.000%	1,255,000	51,300	1,306,300
November 1, 2027			26,200	26,200
May 1, 2028	4.000%	1,310,000	26,200	1,336,200
		$ 6,155,000	$ 2,200,000	$ 8,355,000

ROSCOMMON AREA PUBLIC SCHOOLS
ROSCOMMON, MICHIGAN

2017 REFUNDING BONDS
JUNE 30, 2017

AMOUNT OF ISSUE		$ 4,995,000
AMOUNT REDEEMED		
Current Year	$ 0	
Prior Years	0	0
BALANCE OUTSTANDING - June 30, 2017		$ 4,995,000

DUE DATES	INTEREST RATES	REQUIREMENTS PRINCIPAL	INTEREST	TOTAL
November 1, 2017			$ 114,632	$ 114,632
May 1, 2018			94,650	94,650
November 1, 2018			94,650	94,650
May 1, 2019	4.000%	$ 935,000	94,650	1,029,650
November 1, 2019			75,950	75,950
May 1, 2020	4.000%	960,000	75,950	1,035,950
November 1, 2020			56,750	56,750
May 1, 2021	4.000%	1,000,000	56,750	1,056,750
November 1, 2021			36,750	36,750
May 1, 2022	3.000%	1,050,000	36,750	1,086,750
November 1, 2022			21,000	21,000
May 1, 2023	4.000%	1,050,000	21,000	1,071,000
		$ 4,995,000	$ 779,482	$ 5,774,482