ALANSON PUBLIC SCHOOLS

REPORT ON FINANCIAL STATEMENTS

JUNE 30, 2018

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

CERTIFIED PUBLIC ACCOUNTANTS
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ALANSON PUBLIC SCHOOLS
ALANSON, MICHIGAN

ANNUAL FINANCIAL REPORT
YEAR ENDED JUNE 30, 2018

TABLE OF CONTENTS

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August 16, 2018

INDEPENDENT AUDITOR'S REPORT

To the Board of Education
Alanson Public Schools
Alanson, 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 Alanson Public Schools, Alanson, Michigan as of and for the year ended June 30, 2018, 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 Alanson Public Schools, Alanson, Michigan as of June 30, 2018, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter – Change in Accounting Principle

As discussed in Note 2.Q to the financial statements, Alanson Public Schools implemented Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than* Pensions. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and required supplementary information, as identified in the table of contents, on pages iii-ix and 37-42 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 Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated August 16, 2018, on our consideration of Alanson 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 Alanson 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 Alanson Public Schools' internal control over financial reporting and compliance.

BAIRD, COTTER AND BISHOP, P.C.

Baird, Cotter & Bishop, P.C.

ALANSON PUBLIC SCHOOLS
ALANSON, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED JUNE 30, 2018

This section of Alanson Public Schools' ("the District") annual report presents our discussion and analysis of the District's financial performance during the year ended June 30, 2018. 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 District's financial statements consist of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. The report also contains other supplementary information in addition to the basic financial statements themselves.

A. Government-Wide Financial Statements

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

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

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

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

B. Fund Financial Statements

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

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

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the Governmental Fund Balance Sheet and the Governmental Fund Statement of Revenues, Expenditures and Changes in Fund Balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

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

C. Notes to Financial Statements

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

D. Other Information

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

E. Summary of Net Position

The following schedule summarizes the net position at June 30, 2018 and 2017. The prior year has not been restated to include GASB No. 75 Standards – *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*:

	2018	2017
Assets		
Current Assets	$ 795,517	$ 681,244
Non Current Assets		
Capital Assets	8,332,868	8,239,520
Less Accumulated Depreciation	(4,791,212)	(4,571,055)
Total Non Current Assets	3,541,656	3,668,465
Total Assets	4,337,173	4,349,709
Deferred Outflows of Resources	751,727	430,152

	2018	2017
Liabilities		
Current Liabilities	513,975	549,776
Non Current Liabilities	5,211,922	4,311,655
Total Liabilities	5,725,897	4,861,431
Deferred Inflows of Resources	587,084	298,799
Net Position		
Net Investment in Capital Assets	2,656,656	2,603,617
Restricted for Specific Purposes	275,649	209,910
Unrestricted (Deficit)	(4,156,386)	(3,193,896)
Total Net Position (Deficit)	$ (1,224,081)	$ (380,369)

F. Analysis of Financial Position

During the fiscal year ended June 30, 2018, the District's net position increased by $322,230. A few of the more significant factors affecting net position during the year are discussed below:

1. *Depreciation Expense and Capital Outlay*

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

Depreciation expense is recorded on a straight-line basis over the estimated useful lives of the assets. In accordance with GAAP, depreciation expense is calculated based on the original cost of the asset less an estimated salvage value, where applicable. For the fiscal year ended June 30, 2018, $220,157, was recorded for depreciation expense.

The District reported $93,348 in capital outlay for the fiscal year ended June 30, 2018. The amount reported for capital outlay is an increase of net position.

2. *Pension and Other Postemployment Benefits Expense*

GASB 68 and GASB 75 require 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 and other postemployment benefits liabilities increase or decrease in any given year. For the year ended June

30, 2018, the District reported an increase in net position related to GASB 68 and GASB 75, which indicates that the District's proportionate share of the net pension and other postemployment benefits liabilities decreased.

G. Results of Operations

The following schedule summarizes the results of operations on a district-wide basis for the years ended June 30, 2018 and 2017. The prior year has not been restated to include GASB No. 75 Standards – *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*:

	2018	2017
General Revenues		
Property Taxes	$ 1,580,653	$ 1,550,673
Investment Earnings	2,677	1,290
State Sources	576,930	493,970
Other	19,364	34,647
Total General Revenues	2,179,624	2,080,580
Program Revenues		
Charges for Services	141,559	90,057
Operating Grants and Contributions	966,424	876,025
Capital Grants and Contributions	0	30,451
Total Program Revenues	1,107,983	996,533
Total Revenues	3,287,607	3,077,113
Expenses		
Instruction	1,579,260	1,743,666
Supporting Services	942,628	858,361
Community Services	65,130	50,541
Prior Period Adjustments	5,052	3,834
Food Service	115,597	108,126
Interest on Long-Term Debt	37,553	45,319
Unallocated Depreciation	220,157	216,540
Total Expenses	2,965,377	3,026,387
Change in Net Position	$ 322,230	$ 50,726

H. 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:

	2018	2017	Increase (Decrease)
Major Funds			
General Fund	$ 225,893	$ 73,782	$ 152,111
2014 Debt Service Fund	8,032	4,680	3,352
Sinking Fund	253,981	197,232	56,749
2010 Debt Service Fund	18,506	14,092	4,414
Capital Projects Fund	0	57,776	(57,776)
Nonmajor Funds			
Food Service	283	386	(103)
Total Governmental Funds	$ 506,695	$ 347,948	$ 158,747

General Fund – In 2017-2018, the General Fund's fund balance increased by $152,111. Enrollment increased significantly during the year, causing state revenues to increase and reduction of staffing costs, both of which caused the increase in fund balance.

2014 Debt Service Fund – In 2017-2018, the 2014 Debt Service Fund's fund balance increased because the amount of revenue generated by the tax levy exceeded debt obligations.

Sinking Fund – In 2017-2018, the Sinking Fund's fund balance increased by a $56,749. Expenditures amounted to $52,543, while the revenues, primarily property tax revenue, amounted to $109,248.

2010 Debt Service Fund- In 2017-2018, the 2010 Debt Service Fund's fund balance increased because the amount of revenue generated by the tax levy exceeded debt obligations.

Capital Projects Fund- The Capital Projects Fund decreased its fund balance to $0 during the year as the District completed the final stages of spending the proceeds generated from the bond issue in 2014.

Food Service Fund – In 2017-2018, the Food Service Fund's fund balance decreased by $103. A transfer of in from the General Fund helped maintain the fund balance.

I. General Fund Budgetary Highlights

The Uniform Accounting and Budgeting 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 2017-2018 fiscal year, the District amended the General Fund at various time throughout the year, with the Board adopting the changes as summarized below. 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	$ 2,576,307	$ 2,788,978	$ 2,801,590
EXPENDITURES			
Instruction	$ 1,604,697	$ 1,634,427	$ 1,622,480
Supporting Services	892,022	971,933	948,416
Community Services	46,304	66,750	65,130
Prior Period Adjustments	0	5,052	5,052
Total Expenditures	$ 2,543,023	$ 2,678,162	$ 2,641,078

The changes from original budget and final budget resulted primarily from adjustments for the increase in enrollment and associated State Aid as well as for increases in expenditures related to the increase in revenue and other expenditures deemed necessary by the District. Variances between final budget and actual figures were minimal.

J. Capital Asset and Debt Administration

1. Capital Assets

By the end of the 2017-2018 fiscal year, the District had invested $3,541,656 net of depreciation, in a broad range of capital assets, including school buildings and facilities, school buses and other vehicles, and various types of equipment. This represents a net decrease of $126,809 from the prior fiscal year. Depreciation expense for the year amounted to $220,157 bringing the accumulation to $4,791,212 as of June 30, 2018. The District purchased a camera and security system for $55,248 and completed a LED project for $38,100.

2. Long-Term Debt

At June 30, 2018, the District had $885,000 in debt outstanding. This represents a decrease of $210,000 from the amount outstanding at the close of the prior fiscal year. Additionally, at June 30, 2018, the District reported its net share of the pension liability of $3,352,708, its share of the other postemployment benefits liability of $1,156,664, and compensated absences in the amount of $37,550.

K. 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:

- As student count is the driving force behind the District's revenue streams, the District continues to be concerned with declining enrollment as any loss in students will have a direct impact on the District's revenue.

- The Sinking Fund Millage approved by the voters continues to be vital in maintaining our facilities. It will be used to update flooring in certain areas of the building, new hot water heaters, and a new efficient boiler system.

- Due to the passing of the Enhancement Millage, the District was able to hire a full-time counselor, upgrade technology, purchase High School Math Curriculum that aligns with K-8, and allow each teacher to purchase items to enhance their current classroom.

L. 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, Alanson Public Schools, 7400 North Street, Alanson, MI 49706.

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ALANSON PUBLIC SCHOOLS
ALANSON, MICHIGAN

STATEMENT OF NET POSITION

JUNE 30, 2018

ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	$	519,476
Investments		64,502
Accounts Receivable		1,910
Due from Other Governmental Units		207,374
Prepaid Expenses		2,255
Total Current Assets		795,517
NON CURRENT ASSETS		
Capital Assets		8,332,868
Less Accumulated Depreciation		(4,791,212)
Total Non Current Assets		3,541,656
TOTAL ASSETS		4,337,173
DEFERRED OUTFLOWS OF RESOURCES		
Deferred Outflows of Resources Related to Pensions		684,214
Deferred Outflows of Resources Related to Other Postemployment Benefits		67,513
TOTAL DEFERRED OUTFLOWS OF RESOURCES		751,727
LIABILITIES		
CURRENT LIABILITIES		
Accounts Payable		92,237
Salaries and Benefits Payable		175,509
Accrued Interest Payable		5,153
Due to External Parties (Fiduciary Fund)		40
Unearned Revenue		21,036
Current Portion of Non Current Liabilities		220,000
Total Current Liabilities		513,975

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

ALANSON PUBLIC SCHOOLS
ALANSON, MICHIGAN

STATEMENT OF NET POSITION

JUNE 30, 2018

NON CURRENT LIABILITIES	
Bonds Payable	885,000
Compensated Absences	37,550
Net Pension Liability	3,352,708
Net Other Postemployment Benefits Liability	1,156,664
Less Current Portion of Non Current Liabilities	(220,000)
Total Non Current Liabilities	5,211,922
TOTAL LIABILITIES	5,725,897
DEFERRED INFLOWS OF RESOURCES	
Deferred Inflows of Resources Related to Pensions	547,980
Deferred Inflows of Resources Related to Other Postemployment Benefits	39,104
TOTAL DEFERRED INFLOWS OF RESOURCES	587,084
NET POSITION	
Net Investment in Capital Assets	2,656,656
Restricted for Food Service	283
Restricted for Debt Service	21,385
Restricted for Capital Projects	253,981
Unrestricted (Deficit)	(4,156,386)
TOTAL NET POSITION (DEFICIT)	$ (1,224,081)

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

ALANSON PUBLIC SCHOOLS
ALANSON, MICHIGAN

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2018

FUNCTIONS/PROGRAMS	EXPENSES	PROGRAM REVENUES: CHARGES FOR SERVICES	PROGRAM REVENUES: OPERATING GRANTS & CONTRIBUTIONS	PROGRAM REVENUES: CAPITAL GRANTS & CONTRIBUTIONS	GOVERNMENTAL ACTIVITIES: NET (EXPENSE) REVENUE AND CHANGES IN NET POSITION
GOVERNMENTAL ACTIVITIES					
Instruction	$ 1,579,260	$ 0	$ 729,425	$ 0	$ (849,835)
Supporting Services	942,628	56,907	143,968	0	(741,753)
Community Services	65,130	69,630	0	0	4,500
Prior Period Adjustments	5,052	0	0	0	(5,052)
Food Service	115,597	15,022	92,065	0	(8,510)
Interest on Long-Term Debt	37,553	0	966	0	(36,587)
Unallocated Depreciation	220,157	0	0	0	(220,157)
TOTAL GOVERNMENTAL ACTIVITIES	$ 2,965,377	$ 141,559	$ 966,424	$ 0	(1,857,394)
GENERAL REVENUES					
Property Taxes - General Purposes					1,215,986
Property Taxes - Debt Service					255,540
Property Taxes - Capital Projects					109,127
Investment Earnings					2,677
State Sources					576,930
Other					19,364
Total General Revenues					2,179,624
Change in Net Position					322,230
NET POSITION - Beginning of Year - (Deficit) - As Restated					(1,546,311)
NET POSITION - End of Year - (Deficit)					$ (1,224,081)

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

ALANSON PUBLIC SCHOOLS
ALANSON, MICHIGAN

BALANCE SHEET
GOVERNMENTAL FUNDS

JUNE 30, 2018

	GENERAL FUND		2014 DEBT SERVICE FUND		2010 DEBT SERVICE FUND		SINKING FUND		CAPITAL PROJECTS FUND		NON-MAJOR FOOD SERVICE FUND		TOTAL GOVERNMENTAL FUNDS
ASSETS													
Cash and Cash Equivalents	$	238,472	$	8,032	$	18,506	$	253,981	$	0	$	485	$	519,476
Investments		64,502		0		0		0		0		0		64,502
Accounts Receivable		1,875		0		0		0		0		35		1,910
Due from Other Governmental Units		206,637		0		0		0		0		737		207,374
Prepaid Expenditures		2,255		0		0		0		0		0		2,255
TOTAL ASSETS	$	513,741	$	8,032	$	18,506	$	253,981	$	0	$	1,257	$	795,517
LIABILITIES AND FUND BALANCES														
LIABILITIES														
Accounts Payable	$	91,263	$	0	$	0	$	0	$	0	$	974	$	92,237
Salaries and Benefits Payable		175,509		0		0		0		0		0		175,509
Unearned Revenue		21,036		0		0		0		0		0		21,036
Due to Other Funds		40		0		0		0		0		0		40
Total Liabilities		287,848		0		0		0		0		974		288,822
FUND BALANCES														
Nonspendable, Prepaid Expenditures		2,255		0		0		0		0		0		2,255
Restricted for Debt Service		0		8,032		18,506		0		0		0		26,538
Restricted for Capital Projects		0		0		0		253,981		0		0		253,981
Restricted for Food Service		0		0		0		0		0		283		283
Assigned for Aviation Program		9,255		0		0		0		0		0		9,255
Unassigned		214,383		0		0		0		0		0		214,383
Total Fund Balances		225,893		8,032		18,506		253,981		0		283		506,695
TOTAL LIABILITIES AND FUND BALANCES	$	513,741	$	8,032	$	18,506	$	253,981	$	0	$	1,257	$	795,517

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

ALANSON PUBLIC SCHOOLS
ALANSON, MICHIGAN

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

JUNE 30, 2018

Total Governmental Fund Balances		$ 506,695
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	$ 8,332,868	
Accumulated depreciation is	(4,791,212)	3,541,656
Long-term liabilities are not due and payable in the current period and are not reported in the funds.		
Bonds Payable		(885,000)
Compensated Absences		(37,550)
Net Pension Liability		(3,352,708)
Net Other Postemployment Benefit Liability		(1,156,664)
Deferred outflows and inflows of resources related to pensions and other postemployment benefits are applicable to future periods and, therefore, are not reported in the funds.		
Deferred Outflows of Resources Related to Pensions and Other Postemployment Benefits		751,727
Deferred Inflows of Resources Related to Pensions and Other Postemployment Benefits		(587,084)
Accrued interest on bonds is not included as a liability in government funds, it is recorded when paid.		(5,153)
NET POSITION OF GOVERNMENTAL ACTIVITIES		$ (1,224,081)

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

ALANSON PUBLIC SCHOOLS
ALANSON, MICHIGAN

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

YEAR ENDED JUNE 30, 2018

	GENERAL FUND	2014 DEBT SERVICE FUND	2010 DEBT SERVICE FUND	SINKING FUND	CAPITAL PROJECTS FUND	NON-MAJOR FOOD SERVICE FUND	TOTAL GOVERNMENTAL FUNDS
REVENUES							
Local Sources	$ 1,411,133	$ 77,971	$ 177,724	$ 109,248	$ 1	$ 15,028	$ 1,791,105
State Sources	997,695	32	890	44	0	5,468	1,004,129
Federal Sources	139,673	0	0	0	0	86,597	226,270
Other Transactions	253,089	0	0	0	0	0	253,089
Total Revenues	2,801,590	78,003	178,614	109,292	1	107,093	3,274,593
EXPENDITURES							
Instruction	1,622,480	0	0	0	0	0	1,622,480
Supporting Services	948,416	0	0	0	0	0	948,416
Community Services	65,130	0	0	0	0	0	65,130
Prior Period Adjustments	5,052	0	0	0	0	0	5,052
Food Service	0	0	0	0	0	115,597	115,597
Debt Service	0	74,680	174,200	0	0	0	248,880
Capital Outlay	0	0	0	52,543	57,748	0	110,291
Total Expenditures	2,641,078	74,680	174,200	52,543	57,748	115,597	3,115,846
Excess (Deficiency) of Revenues Over Expenditures	160,512	3,323	4,414	56,749	(57,747)	(8,504)	158,747
OTHER FINANCING SOURCES (USES)							
Transfer In	0	29	0	0	0	8,401	8,430
Transfers Out	(8,401)	0	0	0	(29)	0	(8,430)
Total Other Financing Sources (Uses)	(8,401)	29	0	0	(29)	8,401	0
Net Change in Fund Balance	152,111	3,352	4,414	56,749	(57,776)	(103)	158,747
FUND BALANCE - Beginning of Year	73,782	4,680	14,092	197,232	57,776	386	347,948
FUND BALANCE - End of Year	$ 225,893	$ 8,032	$ 18,506	$ 253,981	$ 0	$ 283	$ 506,695

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

ALANSON PUBLIC SCHOOLS
ALANSON, 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, 2018

Net Change in Fund Balances Total Governmental Funds	$ 158,747
Amounts reported for governmental activities are different because:	
Governmental funds report capital outlay as expenditures. In the Statement of Activities, these costs are allocated over their estimated useful lives as depreciation.	
Depreciation Expense	(220,157)
Capital Outlay	93,348
Accrued interest on bonds is recorded in the Statement of Activities when incurred; it is not recorded in governmental funds until it is paid:	
Change in Accrued Interest Payable	1,327
Governmental funds report District pension and other postemployment benefits contributions as expenditures. However, in the Statement of Activities, the cost of pension and other postemployment benefits earned net of employee contributions is reported as expense.	
Change in Pension and Other Postemployment Benefit Related Items	68,178
Restricted revenue reported in the governmental funds that is deferred to offset the deferred outflows related to Section 147 C pension and other postemployment benefits contributions subsequent to the measurement date.	
Change in State Aid Funding for Pension and Other Postemployment Benefits	13,014
Employees' compensated absences are reported on the accrual method in the Statement of Activities, but only recorded as an expenditure when financial resources are used in the governmental funds.	
Change in Compensated Absences	(2,227)
The repayment of principal on long-term debt is an expenditure in the governmental funds, but not in the Statement of Activities (where it is a reduction of liabilities).	
Repayment of Principal	210,000
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	$ 322,230

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

ALANSON PUBLIC SCHOOLS
ALANSON, MICHIGAN

STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS

JUNE 30, 2018

	AGENCY FUND
ASSETS	
Cash and Cash Equivalents	$ 44,039
Due From Other Funds	40
Total Assets	44,079
LIABILITIES	
Due to Groups and Organizations	44,079
NET POSITION	$ 0

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

The School District ("the District") is located in Emmet County with its administrative offices located in Alanson, Michigan. The District operates under an elected board of education which has responsibility and control over all activities related to public school education within the District. The District receives funding from local, state, and federal government sources and must comply with all of the requirements of these funding source entities. However, the District is not included in any other governmental reporting entity as defined by generally accepted accounting principles. Board members are elected by the public and have decision-making authority, the power to designate management, the ability to significantly influence operations, and the primary accountability for fiscal matters.

B. Description of Government-Wide Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report the information on all of the nonfiduciary activities of the primary government and its component units. All fiduciary activities are reported only in the fund financial statements. *Governmental activities*, which normally are supported by taxes, intergovernmental revenues, and other nonexchange transactions, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges to external customers for support. Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable. The 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 *2014 Debt Service Fund* accounts for the revenues and expenditures related to the 2014 School Improvement Bonds.

The *2010 Debt Service Fund* accounts for the revenues and expenditures related to the 2010 Building and Site Bonds.

The *Sinking Fund* accounts for revenues and expenditures related to capital projects.

The *Capital Projects Fund* accounts for the resources received and corresponding expenditures related to the 2014 School Improvements Bonds issued in May 2014. The fund was closed in 2017-2018.

Other non-major fund:

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

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. 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 student activities).

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, value outstanding encumbrances (those for which performance under the executory contract is expected in the next year) are re-appropriated and become part of the subsequent year's budget pursuant to state regulations.

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

(a) In June, the superintendent submits to the school board a proposed operating budget for the fiscal year commencing on July 1.

(b) A public hearing is conducted during June to obtain taxpayer comments.

(c) Prior to June 30, the budget is legally adopted by the School Board resolution pursuant to the Uniform Budgeting and Accounting Act. The Act requires that the budget be amended prior to the end of the fiscal year, when necessary, to adjust appropriations if it appears that revenues and other financial sources will be less than anticipated, or so that expenditures will not be in excess of original estimates. Expenditures shall not be made or incurred, unless authorized in the budget, in excess of the amount appropriated.

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

(e) For purposes of meeting emergency needs of the District, transfer of appropriations may be made by the authorization of the superintendent. Such transfers of appropriations must be approved by the Board of Education at its next regularly scheduled meeting.

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

(g) Budgeted amounts are as originally adopted in June 2017, or as amended by the School Board of Education throughout the year.

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

1. Cash and Cash Equivalents

The government's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments. The government 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 duration and the rate of return is fixed, and the District intends to hold the investment until maturity.

State statutes authorize the District to invest in bonds and other direct and certain indirect obligations of the U.S. Treasury; certificates of deposit, savings accounts, deposit accounts, or depository receipts of bank, savings and loan association, or credit union, which is a member of the Federal Deposit Insurance Corporation, Federal Savings, and Loan Insurance Corporation, or National Credit Union Administration, respectively; in commercial paper rated at the time of purchase within the three highest classifications established by not less than two standard rating services and which matures not more than 270 days after the date of purchase. The District is also authorized to invest in U.S. District or federal agency obligation repurchase agreements, banker's acceptances of U.S. banks, and mutual funds composed of investments as outlined above.

Investments in the U.S. Treasury securities and those other securities completely guaranteed by the Treasury as to payment of principal and interest may be purchased in any dollar amount or up to 100 percent of the available reserves.

All investments must mature or be redeemable within two years of the date of purchase. The District's deposits and investments are held separately by several of the District's funds.

3. Inventory and Prepaid Items

Inventories are valued at cost using the first in/first out (FIFO) method. Inventories, when applicable, consisting of expendable supplies held for consumption, are recorded as expenditures when consumed rather than when purchased. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid expenditures. The nonspendable fund balance at the governmental fund level is equal to the amount of inventories and prepaid items at year-end to indicate the portion of the governmental fund balances that are nonspendable.

4. Capital Assets

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

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

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

Assets	Years
Buildings	25-50
Site Improvements	20
Equipment	5-20
Vehicles and Buses	5-8

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 recognizes unearned revenue related to funds received for various state and local programs.

6. *Defined Benefit Plans*

For purposes of measuring the net pension and other postemployment benefit liabilities, deferred outflows of resources and deferred inflows of resources related to pensions and other postemployment benefits, and pension and other postemployment benefits 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.

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. 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 items that qualify for reporting in this category related to its pension and other postemployment benefits plan, which are discussed in Note 2-H and 2-I of this report.

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 items that qualify for reporting in this category related to its pension and other postemployment benefits plan, which are discussed in Note 2-H and 2-I of this report.

9. Net Position Flow Assumption

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

10. Fund Balance Flow Assumption

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

11. Fund Balance Policies

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

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

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

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, 2018, the foundation allowance was based on pupil membership counts taken in February of 2017 and October of 2017. For fiscal year ended June 30, 2018, the per pupil foundation allowance was $7,631 for Alanson Public Schools.

The state portion of the foundation is provided primarily by a state education property tax millage of 6 mills and an allocated portion of state sales and other taxes. The local portion of the foundation is funded primarily by non-homestead property taxes, which may be levied at a rate of up to 18 mills. The State revenue is recognized during the foundation period and is funded through payments from October 2017 to August 2018. 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. Property taxes are assessed as of January 1, and due July 1. The levy becomes delinquent as of February 14 for all taxpayers. After these dates, unpaid taxes are subject to penalties and interest.

For the year ended June 30, 2018, the District levied the following amounts per $1,000 of taxable valuation:

Fund	Mills
General Fund - Non-Homestead	18.0000
General Fund - Commercial PPT	6.0000
2010 Debt Service Fund - PRE, Non-PRE, Commercial Personal Property	1.2080
2014 Debt Service Fund - PRE, Non-PRE, Commercial Personal Property	0.5300
Sinking Fund - PRE, Non-PRE, Commercial Personal Property	0.7422

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 resignations and retirements.

NOTE 2 – DETAILED NOTES ON ALL 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, 2018, the District's bank balance was $566,578 and $290,040 of that amount was exposed to custodial credit risk because it was uninsured and uncollateralized. The risk is spread amongst the District's funds. Although the District's investment policy does not directly address custodial credit risk, it typically limits its exposure by purchasing insured or registered investments or by controlling who holds the deposits.

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

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

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

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

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

As of June 30, 2018, the District had the following investments:

	Fair Value	Weighted Average Maturity (Years)	Standard & Poor's Rating	%
MILAF+ Max Class	$ 63,085	0.0027	AAAm	97.80%
MILAF+ Cash Management Class	1,417	0.0027	AAAm	2.20%
	$ 64,502			100.00%
Portfolio Weighted Average Maturity		0.0027		

1 Day Maturity Equals 0.0027, One Year Equals 1.000

The District invests certain excess funds in external pooled investment funds which include money market funds. One of the pooled investment funds utilized by the District is the Michigan Investment

Liquid Asset Fund Plus (MILAF+). MILAF+ is a local government investment pool of "qualified" investments for Michigan school districts. MILAF+ is not regulated nor is it registered with the SEC. MILAF+ reports as of June 30, 2018, the fair value of the District's investments is the same as the value of the pooled shares. MILAF, as defined by GASB, is recorded at amortized cost which approximates fair value. The MILAF+ portfolio offers three share classes which are: Cash Management Class, MAX Class, and GovMIC Class. The only class that has limitations or restrictions on withdrawals is MAX Class, which requires notification of redemptions prior to 14 days to avoid penalties. The MILAF+ portfolio is not subject to fair value disclosures.

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

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

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

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

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

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

The carrying amount of deposits and investments is as follows:

	Total
Deposits – including Fiduciary Funds of $44,039	$ 563,515
Investments	64,502
	$ 628,017

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

	Total
Cash - Fiduciary Funds	$ 44,039
Cash - District-Wide	519,476
Investments	64,502
	$ 628,017

B. Accrued Liabilities

Accrued liabilities reported by governmental funds at June 30, 2018, were as follows:

	General Fund
Salaries	$ 133,537
Employee Benefits	41,972
Total Accrued Liabilities	$ 175,509

C. Receivables

Receivables as of year-end for the government's individual major funds and nonmajor, and fiduciary funds in the aggregate; including the applicable allowances for uncollectible accounts, are as follows:

	General Fund	Nonmajor Food Service Fund	Total
Receivables:			
Accounts	$ 1,875	$ 35	$ 1,910
Due from Other Governmental Units	206,637	737	207,374
Total	$ 208,512	$ 772	$ 209,284

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.

D. Interfund Receivables, Payables, and Transfers

Interfund Receivables and Payables as shown in the individual fund financial statements at June 30, 2018, were:

	INTERFUND RECEIVABLES	INTERFUND PAYABLES
General Fund	$ 0	$ 40
Agency Fund	40	0
	$ 40	$ 40

The outstanding balances between funds result mainly from the time lag between the dates that (1) interfund goods and services provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

Interfund transfers are as shown in the individual fund financial statements at June 30, 2018, were:

	TRANSFERS IN	TRANSFERS OUT
General Fund	$ 0	$ 8,401
Food Service Fund	8,401	0
2014 Debt Service Fund	29	0
Capital Projects Fund	0	29
	$ 8,430	$ 8,430

E. 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, 2018:

	BONDS	COMPENSATED ABSENCES	NET OPEB LIABILITY	NET PENSION LIABILITY	TOTAL
Balance, July 1, 2017	$ 1,095,000	$ 35,323	$ 1,220,025	$ 3,391,332	$ 5,741,680
Additions	0	21,263	38,329	264,834	324,426
Deletions	(210,000)	(19,036)	(101,690)	(303,458)	(634,184)
Balance, June 30, 2018	885,000	37,550	1,156,664	3,352,708	5,431,922
Less current portion	(220,000)	Unknown	Unknown	Unknown	(220,000)
Total due after one year	$ 665,000	$ 37,550	$ 1,156,664	$ 3,352,708	$ 5,211,922

At June 30, 2018, the District's long-term debt consisted of the following:

2010 Building and Site Bonds due in annual installments of $160,000 to $165,000 through May 1, 2020, interest at 4.00%	$ 325,000
2014 School Improvement bonds due in annual installments of $60,000 to $115,000 through May 1, 2024, interest at 3.20%	560,000
Compensated Absences	37,550
Net Pension Liability	3,352,708
Net Other Postemployment Benefits Liability	1,156,664
Total	$ 5,431,922

The annual requirements to amortize debt outstanding as of June 30, 2018, including interest payments of $89,200 are as follows:

Year Ending June 30,	Principal	Interest	Total
2019	$ 220,000	$ 30,920	$ 250,920
2020	225,000	22,600	247,600
2021	105,000	14,080	119,080
2022	110,000	10,720	120,720
2023	110,000	7,200	117,200
2024	115,000	3,680	118,680
	$ 885,000	$ 89,200	$ 974,200

The annual requirements to amortize the pension and other postemployment benefits liabilities and compensated absences are uncertain because it is unknown when the repayments will be made. The pension and other postemployment benefits liabilities and compensated absences will be paid by the General Fund.

F. Capital Assets

A summary of changes in the District's capital assets follows:

	Balance July 1, 2017	Additions	Deletions	Balance June 30, 2018
Capital Assets Not Being Depreciated				
Land	$ 6,000	$ 0	$ 0	$ 6,000
Capital Assets Being Depreciated				
Buildings	6,663,251	0	0	6,663,251
Site Improvements	736,913	38,100	0	775,013
Equipment	533,809	55,248	0	589,057
Vehicles and Buses	299,547	0	0	299,547
Subtotal	8,233,520	93,348	0	8,326,868
Less Accumulated Depreciation for:				
Buildings	3,479,727	89,573	0	3,569,300
Site Improvements	540,093	36,945	0	577,038
Equipment	307,838	64,733	0	372,571
Vehicles and Buses	243,397	28,906	0	272,303
Accumulated Depreciation	4,571,055	220,157	0	4,791,212
Net capital assets being depreciated	3,662,465	(126,809)	0	3,535,656
Net capital assets	$ 3,668,465	$ (126,809)	$ 0	$ 3,541,656

Depreciation for the fiscal year ended June 30, 2018, amounted to $220,157. The District determined that it was impractical to allocate depreciation to the various governmental activities as the assets serve multiple functions.

G. Defined Benefit Plan and Postemployment 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. MPSERS issues a publicly available Comprehensive Annual Financial Report that can be obtained at www://Michigan.gov/mpsers-cafr.

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.

Benefit Provisions - Overall

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	Closed
Pension Plus 2	Hybrid	Open
Defined Contribution	Defined Contribution	Open

Benefits Provided - Pension

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. Retirement benefits for DB plan members are determined by final average compensation and years of service. 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.

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.

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

Option 1 – Members voluntarily elected to increase their contributions to the pension fund as noted below and retain the 1.5% pension factor in their pension formula. The increased contribution would begin as of their transition date and continue until terminate public school employment.

- Basic plan members: 4% contribution
- Member Investment Plan (MIP)-Fixed, MIP-Graded, and MIP-Plus members: a flat 7% contribution

Option 2 – Members voluntarily elected to increase their contribution to the pension fund as stated in Option 1 and retain the 1.5% pension factor in their pension formula. The increased contribution would begin as of their transition date and continue until they reach 30 years of service. If and when they reach 30 years of service, their contribution rates will return to the previous level in place as of the day before their transition date (0% for Basic plan members, 3.9% for MIP-Fixed, up to 4.3% for MIP-Graded, or up to 6.4% for MIP-Plus). The pension formula for any service their after would include a 1.25% pension factor.

Option 3 – Members voluntarily elected not to increase their contribution to the pension fund and maintain their current level of contribution to the pension fund. The pension formula for their years of service as of the day before their transition date will include a 1.5% pension factor. The pension formula for any service thereafter will include a 1.25% pension factor.

Option 4 – Members voluntarily elected to no longer contribute to the pension fund and therefore are switched to the Defined Contribution plan for future service as of their transition date. As a DC participant they receive a 4% employer contribution to the tax-deferred 401(k) account and can choose to contribute up to the maximum amounts permitted by the IRS to a 457 account. They vest in employer contributions and related earnings in their 401(k) account based on the following schedule: 50% at 2 years, 75% at 3 years, and 100% at 4 years of service. They are 100% vested in any personal contributions and related earnings in their 457 accounts. Upon retirement, if they meet age and service requirements (including their total years of service), they would also receive a pension (calculated based on years of service and final average compensation as of the day before their transition date and a 1.5% pension factor).

Members who did not make an election before the deadline defaulted to Option 3 as described above. Deferred or nonvested public school employees on September 3, 2012, who return to public school employment on or after September 4, 2012, will be considered as if they had elected Option 3 above. Returning members who made the retirement plan election will retain whichever option they chose.
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.

Pension Reform of 2017

On July 13, 2017, the Governor signed Public Act 92 of 2017 into law. The legislation closes the current hybrid plan (Pension Plus) to newly hired employees as of February 1, 2018 and creates a new optional revised hybrid plan with similar plan benefit calculations but containing a 50/50 cost share between the employee and the employer, including the cost of future unfunded liabilities. The assumed rate of return on the new hybrid plan is 6%. Further, the law provides that, under certain conditions, the new hybrid plan would close to new employees if the actuarial funded ratio falls below 85% for two consecutive years. The law includes other provisions to the retirement eligibility age, plan assumptions, and unfunded liability payment methods.

Benefits Provided – Other Postemployment Benefit (OPEB)

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 healthcare recipient. For members who first worked before July 1, 2008, (Basic, MIP-Fixed, and MIP-Graded plan members), the subsidy is the maximum allowed by statute. To limit future liabilities of Other Postemployment Benefits, members who first worked on or after July 1, 2008, (MIP-Plus, plan members), have a graded premium subsidy based on career length where they accrue credit towards their insurance premiums in retirement, not to exceed the maximum allowable by statute. Public Act 300 of 2012 sets the maximum subsidy at 80% beginning January 1, 2013; 90% for those Medicare eligible and enrolled in the insurances as of that date.

Retiree Healthcare Reform of 2012

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

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

Regular Retirement (no reduction factor for age)

Eligibility – A basic plan member may retire at 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 60^{th} 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 – The annual pension is paid monthly for the lifetime of a retiree. The calculation of a member's pension is determined by their pension election under PA 300 of 2012.

Members Contributions

Depending on the plan selected, member contributions range from 0% to 7% for pension and 0% to 3% for other postemployment benefits. Plan members electing the defined contribution plan are not required to make additional contributions.

Employer Contributions

Employers 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.

For retirement and OPEB benefits, the unfunded (overfunded) actuarial accrued liability as of September 30, 2016 valuation will be amortized over a 22-year period for fiscal 2017.

School districts' contributions are determined based on employee elections. There are several different benefit options included in the plan available to employees based on date of hire. Contribution rates are adjusted annually by the ORS. The range of rates is as follows:

	Pension	**Other Postemployment Benefit**
October 1, 2016 - September 30, 2017	15.27% - 19.03%	5.69% - 5.91%
October 1, 2017 - September 30, 2018	13.54% - 19.74%	7.42% - 7.67%

The District's pension contributions for the year ended June 30, 2018 were equal to the required contribution total. Pension contributions were approximately $308,588.

The District's OPEB contributions for the year ended June 30, 2018 were approximately $70,753.

These amounts for both pension and OPEB, include contributions funded from state revenue Section 147c restricted to fund MPSERS Unfunded Actuarial Accrued Liability (UAAL) Stabilization Rate (100% for pension and 0% for OPEB).

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

Pension Liabilities

At June 30, 2018, the District reported a liability of $3,352,708 for its proportionate share of the net pension liability. The net pension liability was measured as of September 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation date of September 30, 2016 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, 2017 and 2016, the District's proportion was 0.0129377% and 0.0135930%.

MPSERS (Plan) Non-university Employers Net Pension Liability – As of September 30, 2017 and September 30, 2016

	September 30, 2017	September 30, 2016
Total Pension Liability	$ 72,407,218,688	$ 67,917,445,078
Plan Fiduciary Net Position	46,492,967,573	42,968,263,308
Net Pension Liability	$ 25,914,251,115	$ 24,949,181,770
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	64.21%	63.27%
Net Pension Liability as a Percentage of Covered Payroll	309.13%	295.81%

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

For the year ended June 30, 2018, the District recognized total pension expense of $107,765. 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, 2018, 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	$ 29,137	$ 16,451
Changes of assumptions	367,316	0
Net difference between projected and actual earnings on pension plan investments	0	160,282
Changes in proportion and differences between District contributions and proportionate share of contributions	4,149	240,030
District section 147c revenue related to pension contributions subsequent to the measurement date	0	131,217
District contributions subsequent to the measurement date	283,612	0
Total	$ 684,214	$ 547,980

$283,612 reported as deferred outflows of resources and $131,217 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, 2019. 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
2018	$ (41,237)
2019	33,647
2020	15,822
2021	(24,393)
	$ (16,161)

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

OPEB Liabilities

At June 30, 2018, the District reported a liability of $1,156,664 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of September 30, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation date of

September 30, 2016 and rolled-forward using generally accepted actuarial procedures. The District's proportion of the net OPEB liability was based on a projection of its long-term share of contributions to the OPEB plan relative to the projected contributions of all participating reporting units, actuarially determined. At September 30, 2017, the District's proportion was 0.0130616%.

MPSERS (Plan) Non-University Employers Net OPEB Liability – As of September 30, 2017 and September 30, 2016

	September 30, 2017	September 30, 2016
Total OPEB Liability	$ 13,920,945,991	$ 14,071,279,615
Plan Fiduciary Net Position	5,065,474,948	4,730,719,539
Net OPEB Liability	$ 8,855,471,043	$ 9,340,560,076
Plan Fiduciary Net Position as a Percentage of Total OPEB Liability	36.39%	33.62%
Net OPEB Liability as a Percentage of Covered Payroll	105.64%	Unknown

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

For the year ended June 30, 2018, the District recognized total OPEB expense of $72,182.

At June 30, 2018 the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 0	$ 12,315
Net difference between projected and actual earnings on OPEB plan investments	0	26,789
Changes in proportion and differences between District contributions and proportionate share of contributions	1,892	0
District contributions subsequent to the measurement date	65,621	0
Total	$ 67,513	$ 39,104

$65,621 reported as deferred outflows of resources related to OPEB resulting from District employer contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources (+) and deferred inflows of resources (-) related to OPEB will be recognized in OPEB expense as follows:

Year Ended September 30,		Amount
2018	$	(9,026)
2019		(9,026)
2020		(9,026)
2021		(9,026)
2022		(1,108)
	$	(37,212)

J. Actuarial Valuations and Assumptions of the Pension Plan and OPEB Plans

Investment rate of return for Pension – 7.5% a year, compounded annually net of investment and administrative expenses for the Non-Hybrid groups and 7.0% a year, compounded annually net of investment and administrative expenses for the Hybrid group (Pension Plus Plan).

Investment rate of return for OPEB – 7.5% a year, compounded annually net of investment and administrative expenses

Salary increases - The rate of pay increase used for individual members is 3.5%.

Inflation – 3.0%

Mortality assumptions - RP2000 Combined Healthy Life Mortality table, adjusted for mortality improvements to 2025 using projection scale BB (for men, 80% of the table rates were used and for women, 70% of the table rates were used).

Experience study - The annual actuarial valuation report of the System used for these statements is dated September 30, 2016. 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 long-term expected rate of return on pension and other postemployment benefit plan investments - The pension rate was 7.5% (7% Pension Plus Plan), and the other postemployment benefit rate was 7.5%, net of investment and administrative expenses 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.

Cost of Living Pension Adjustments – 3.0% annual non-compounded for MIP members.

Healthcare cost trend rate for other postemployment benefit – 7.5% for year one and graded to 3.5% to year twelve.

Additional assumptions for other postemployment benefit only – Applies to individuals hired before September 4, 2012:

Opt Out Assumption – 21% of eligible participants hired before July 1, 2008 and 30% of those hired after June 30, 2008 are assumed to opt out of the retiree health plan.

Survivor Coverage – 80% of male retirees and 67% of female retirees are assumed to have coverage continuing after the retiree's death

Coverage Election at Retirement – 75% of male and 60% of female future retirees are assumed to elect coverage for 1 or more dependents.

The target asset allocation at September 30, 2017 and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Investment Category	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equity Pools	28.00%	5.60%
Alternative Investment Pools	18.00%	8.70%
International Equity	16.00%	7.20%
Fixed Income Pools	10.50%	-0.10%
Real Estate & Infrastructure Pools	10.00%	4.20%
Absolute Return Pools	15.50%	5.00%
Short-Term Investment Pools	2.00%	-0.90%
	100%	

*Long-term rate of return are net of administrative expenses and 2.3% inflation.

Pension Discount Rate

A discount rate of 7.5% was used to measure the total pension liability (7.0% for the Pension Plus plan). This discount rate was based on the long-term expected rate of return on pension plan investments of 7.5% (7.0% for the Pension Plus plan). The projection of cash flows used to determine this discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will 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.

OPEB Discount Rate

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

Sensitivity of the 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 7.5% (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 than the current rate:

1% Decrease (Non-Hybrid/Hybrid) 6.5% / 6.0%	Current Single Discount Rate Assumption (Non-Hybrid/Hybrid) 7.5% / 7.0%	1% Increase (Non-Hybrid/Hybrid) 8.5% / 8.0%
$ 4,367,463	$ 3,352,708	$ 2,498,349

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

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

1% Decrease 6.5%	Current Single Discount Rate Assumption 7.5%	1% Increase 8.5%
$ 1,354,788	$ 1,156,664	$ 988,519

Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rates

The following presents the Reporting Unit's proportionate share of the net other postemployment benefit liability calculated using the healthcare cost trend rate of 7.5% (decreasing to 3.5%), as well as what the Reporting Unit's proportionate share of the net other postemployment benefit liability would be if it were calculated using a healthcare cost trend rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

1% Decrease (6.5% decreasing to 2.5%	Trend Rates (7.5% decreasing to 3.5%)	1% Increase (8.5% decreasing to 4.5%)
$ 979,539	$ 1,156,664	$ 1,357,778

K. Pension and OPEB Plan Fiduciary Net Position

Detailed information about the pension and OPEB plan's fiduciary net position is available in the separately issued Michigan Public School Employees Retirement System 2017 Comprehensive Annual Financial Report.

L. Payables to the Pension and OPEB Plan

As of June 30, 2018, the District is current on all required pension and other postemployment benefit plan payments. As of June 30, 2018, the District reported payables in the amount of $56,528 to the pension and OPEB plan. These amounts represent accruals for summer pay primarily for teachers and the contributions due funded from state revenue Section 147c restricted to fund the MPSERS Unfunded Actuarial Accrued Liability (UAAL).

M. Risk Management

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees' and natural disasters. The District participates in two distinct pools of educational institutions within the State of Michigan for self-insuring property and casualty and workers' disability compensation. The pools are considered public entity risk pools. The District pays annual premiums under a retrospectively rated policy to the pools for the respective insurance coverage. In the event a pool's total claims and expenses for a policy year exceed the total normal annual premiums for said years, all members of the specific pool's policy year may be subject to special assessment to make up the deficiency. The District has not been informed of any special assessments being required. The workers' compensation pool and the property casualty pool maintain reinsurance for claims generally in excess of $500,000 for each occurrence with the overall maximum coverage varying depending on the specific type coverage of reinsurance.

The District continues to carry commercial insurance for other risks of loss, including employee health insurance. No settlements have occurred in excess of coverage for June 30, 2018, or any of the prior three years.

N. Sinking Fund Tax Levy

In February 2014 the taxpayers approved a sinking fund tax levy. The District is authorized to levy 0.746 mills for five years beginning with the 2014 tax roll. The transactions for the sinking fund are accounted for in a capital projects fund. For this fund, the District has complied with the applicable provisions of §1212(1) of the Revised School Code and the applicable section of the Revised Bulletin for School District Audits of Bonded Construction Funds and of Sinking Funds in Michigan.

O. Capital Projects Fund

The 2014 Capital Projects Fund and includes capital project activities funded with bonds issued after May 1, 1994. For these capital projects, the District has complied with the applicable provisions of §1351a of the Revised School Code.

P. Contingencies

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

Q. New Accounting Standards

The District implemented the following new pronouncements: GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*.

GASB Statement No. 75 requires governments that participate in defined benefit other postemployment benefit (OPEB) plans to report in the statements of net position a net OPEB liability. The net OPEB liability is the difference between the total OPEB 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. The Statement requires cost-sharing employers to record a liability and expense equal to their proportionate share of the collective net OPEB liability and expense for the cost-sharing plan. The Statement also will improve the comparability and consistency of how governments calculate the OPEB liabilities and expense.

The restatement of the beginning of the year net position is as follows:

Net Position - Governmental Activities - As Previously Reported, June 30, 2017	$ (380,369)
Adoption of GASB Statement 75:	
Net Other Postemployment Benefit Liability	(1,220,025)
Deferred Outflows Related to Other Postemployment Benefits	93,198
Deferred Inflows Related to Other Postemployment Benefits	(39,115)
Net Position - Governmental Activities - Restated as of June 30, 2017	$ (1,546,311)

R. Upcoming Accounting Pronouncements

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

Governmental Account Standards Board (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.

Governmental Account Standards Board (GASB) Statement No. 87, *Leases,* was issued by the GASB in June 2017 and will be effective for the District's 2021 year end. The objective of this Statement is to increase the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use the underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities.

ALANSON PUBLIC SCHOOLS
ALANSON, MICHIGAN

REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND

YEAR ENDED JUNE 30, 2018

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL
REVENUES			
Local Sources	$ 1,325,243	$ 1,417,152	$ 1,411,133
State Sources	842,306	962,458	997,695
Federal Sources	126,285	139,279	139,673
Other Transactions	282,473	270,089	253,089
Total Revenues	2,576,307	2,788,978	2,801,590
EXPENDITURES			
Instruction			
Basic Programs	1,074,576	1,096,232	1,088,261
Added Needs	530,121	538,195	534,219
Supporting Services			
Pupil	69,004	81,112	80,323
Instructional Staff	1,920	32,052	31,652
General Administration	215,631	215,474	215,437
School Administration	31,547	28,778	28,304
Business	66,950	65,640	64,936
Operation and Maintenance	231,219	270,426	259,730
Pupil Transportation Services	99,824	95,005	93,468
Support Services - Central	97,602	102,750	97,938
Support Services - Other	78,325	80,696	76,628
Community Services	46,304	66,750	65,130
Prior Period Adjustments	0	5,052	5,052
Total Expenditures	2,543,023	2,678,162	2,641,078
Excess (Deficiency) of Revenues Over Expenditures	33,284	110,816	160,512
OTHER FINANCING SOURCES (USES)			
Transfers Out	(10,500)	(8,501)	(8,401)
Net Change in Fund Balance	22,784	102,315	152,111
FUND BALANCE - Beginning of Year	48,063	73,782	73,782
FUND BALANCE - End of Year	$ 70,847	$ 176,097	$ 225,893

ALANSON PUBLIC SCHOOLS
ALANSON, 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 PLAN YEAR)
JUNE 30, 2018

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
District's proportion of net pension liability (%)							0.01294%	0.01359%	0.01360%	0.01489%
District's proportionate share of net pension liability							$ 3,352,708	$ 3,391,332	$ 3,320,885	$ 3,280,517
District's covered payroll							1,062,912	1,156,668	1,148,052	1,276,161
District's proportionate share of net pension liability as a percentage of its covered payroll							315.43%	293.20%	289.26%	257.06%
Plan fiduciary net position as a percentage of total pension liability							64.21%	63.27%	63.17%	66.20%

ALANSON PUBLIC SCHOOLS
ALANSON, MICHIGAN

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF PENSION CONTRIBUTIONS
MICHIGAN PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM
LAST 10 FISCAL YEARS (AMOUNTS WERE DETERMINED AS OF 6/30 OF EACH FISCAL YEAR)
JUNE 30, 2018

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Statutorily required contributions							$ 308,588	$ 307,929	$ 262,289	$ 253,598
Contributions in relation to statutorily required contributions *							308,588	307,929	262,289	253,598
Contribution deficiency (excess)							$ 0	$ 0	$ 0	$ 0
Covered payroll							$ 1,001,612	$ 1,089,176	$ 1,109,190	$ 1,172,672
Contributions as a percentage of covered payroll							30.81%	28.27%	23.65%	21.63%

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

ALANSON PUBLIC SCHOOLS
ALANSON, MICHIGAN

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF PROPORTIONATE SHARE OF THE NET OTHER POSTEMPLOYMENT BENEFIT LIABILITY
MICHIGAN PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM
LAST 10 FISCAL YEARS (AMOUNTS WERE DETERMINED AS OF 9/30 OF EACH PLAN YEAR)
JUNE 30, 2018

	2026	2025	2024	2023	2022	2021	2020	2019	2018	2017
District's proportion of net OPEB liability (%)										0.0130616%
District's proportionate share of net OPEB liability										$ 1,156,664
District's covered payroll										1,062,912
District's proportionate share of net OPEB liability as a percentage of its covered payroll										108.82%
Plan fiduciary net position as a percentage of total OPEB liability										36.39%

ALANSON PUBLIC SCHOOLS
ALANSON, MICHIGAN

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF OTHER POSTEMPLOYMENT BENEFIT CONTRIBUTIONS
MICHIGAN PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM
LAST 10 FISCAL YEARS (AMOUNTS WERE DETERMINED AS OF 6/30 OF EACH FISCAL YEAR)
JUNE 30, 2018

	2027	2026	2025	2024	2023	2022	2021	2020	2019	2018
Statutorily required contributions										$ 70,753
Contributions in relation to statutorily required contributions *										70,753
Contribution deficiency (excess)										$ 0
Covered payroll										$ 1,001,612
Contributions as a percentage of covered payroll										7.06%

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR YEAR ENDED JUNE 30, 2018

A. Changes of Benefit Terms:

There were no changes of benefit terms for the plan year ended September 30, 2017.

B. Changes of Assumptions:

There were no changes of assumptions for the plan year ended September 30, 2017.