# ROSCOMMON AREA PUBLIC SCHOOLS

## ROSCOMMON, MICHIGAN

## JUNE 30, 2018

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

CERTIFIED PUBLIC ACCOUNTANTS
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ROSCOMMON AREA PUBLIC SCHOOLS
ROSCOMMON, MICHIGAN

ANNUAL FINANCIAL REPORT
YEAR ENDED JUNE 30, 2018

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August 20, 2018

# INDEPENDENT AUDITOR'S REPORT

To the Board of Education
Roscommon Area Public Schools
Roscommon, Michigan

## Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Roscommon Area Public Schools, Roscommon, Michigan as of and for the year ended June 30, 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 Roscommon Area Public Schools, Roscommon, Michigan as of June 30, 2018, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

***Emphasis of Matter – Change in Accounting Principle***

As discussed in Note 2.N. to the financial statements, Roscommon Area 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 listed in the table of contents on pages iv through xi and 39-44, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

*Other Information*

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

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated August 20, 2018, on our consideration of Roscommon Area Public Schools' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Roscommon Area Public Schools' internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Roscommon Area Public Schools' internal control over financial reporting and compliance.

BAIRD, COTTER AND BISHOP, P.C.

Baird, Cotter & Bishop, P.C.

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED JUNE 30, 2018

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

**A. Government-Wide Financial Statements**

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

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

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

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

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

**B. Fund Financial Statements**

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds, rather than the District as a whole. Funds that do not meet the threshold to be classified as major funds are called "non-major" funds. All of the District's funds are classified as major funds.

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

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

The District maintains the following kinds of funds:

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

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

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

### Notes to Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the Government-wide and fund financial statements. The notes to the financial statements can be found on pages 12-38 of this report.

### Other Information

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

## C. Summary of Net Position

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

| | 2018 | 2017 |
|---|---|---|
| **Assets** | | |
| Current Assets | $ 3,076,489 | $ 3,620,421 |
| Non Current Assets | | |
| Capital Assets | 28,624,161 | 28,545,161 |
| Less Accumulated Depreciation | (12,641,232) | (11,939,277) |
| Total Non Current Assets | 15,982,929 | 16,605,884 |
| TOTAL ASSETS | 19,059,418 | 20,226,305 |
| **Deferred Outflows of Resources** | 3,960,599 | 2,344,929 |
| **Liabilities** | | |
| Current Liabilities | 2,266,131 | 2,436,110 |
| Non Current Liabilities | 32,710,108 | 27,787,454 |
| TOTAL LIABILITIES | 34,976,239 | 30,223,564 |
| **Deferred Inflows of Resources** | 2,136,008 | 1,109,852 |
| **Net Position** | | |
| Net Investment in Capital Assets | 4,215,562 | 3,704,299 |
| Restricted for Debt Service | 186,612 | 169,826 |
| Unrestricted | (18,494,404) | (12,636,307) |
| TOTAL NET POSITION | $ (14,092,230) | $ (8,762,182) |

## D. Analysis of Financial Position

During the fiscal year ended June 30, 2018, the District's net position increased by $159,779. A few of the more significant factors affecting net position during the year are discussed below:

### *1. Depreciation Expense*

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

Depreciation expense is recorded on a straight-line basis over the estimated useful lives of the assets. In accordance with GAAP, depreciation expense is calculated based on the original cost of the asset less an estimated salvage value, where applicable. For the fiscal year ended June 30, 2018, $701,955 was recorded for depreciation expense.

### 2. *Pension and Other Postemployment Benefit Expense*

GASB 68 and 75 now requires the District to account for its payments to the Michigan Public School Employees' Retirement System in a manner that has a significant effect on the District's change in net position. Based on various factors, the District may report an increase or decrease in net position depending on whether the District's proportionate share of the net pension liability increases or decreases in any given year. For the year ended June 30, 2018, the District reported an increase in net position related to GASB 68 and 75, which indicates that the District's proportionate share of the net pension and other postemployment benefits liability has decreased by that amount.

### 3. *Capital Outlay Acquisitions*

For the year ended June 30, 2018, there was $79,000 capitalized and recorded as assets of the District. Asset additions to the District's capital assets will be depreciated over time as explained above.

The net effect of the new capital assets, disposals and the current year's depreciation is a decrease in capital assets in the amount of $622,955 for the year ended June 30, 2018.

## E. Results of Operations

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

| | 2018 | 2017 |
|---|---|---|
| **General Revenues** | | |
| Property Taxes | $ 8,877,067 | $ 8,814,647 |
| Investment Earnings - Unrestricted | 2,516 | 2,141 |
| State Sources | 279,153 | 580,103 |
| Gain on Sale of Assets | 2,951 | 5,668 |
| Other | 21,728 | 329,592 |
| Total General Revenues | 9,183,415 | 9,732,151 |
| **Program Revenues** | | |
| Charges for Services | 444,732 | 532,348 |
| Operating Grants | 2,986,545 | 2,503,018 |
| Total Program Revenues | 3,431,277 | 3,035,366 |
| Total Revenues | 12,614,692 | 12,767,517 |

| | 2018 | 2017 |
|---|---|---|
| **Expenses** | | |
| Instruction | 6,217,854 | 6,126,880 |
| Supporting Services | 4,708,503 | 4,394,600 |
| Community Services | 12,591 | 15,692 |
| Payments to Other Districts | 4,860 | 989 |
| Food Service Activities | 631,837 | 656,381 |
| Bond Issuance Costs | 0 | 188,865 |
| Interest on Long-Term Debt | 374,371 | 820,197 |
| Unallocated Depreciation | 504,897 | 504,901 |
| Total Expenses | 12,454,913 | 12,708,505 |
| Change in Net Position | $ 159,779 | $ 59,012 |

## F. Financial Analysis of the District's Funds

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

| | 2018 | 2017 | Increase (Decrease) |
|---|---|---|---|
| **Major Funds** | | | |
| General Fund | $ 1,348,017 | $ 1,744,720 | $ (396,703) |
| Food Service | 67,066 | 84,881 | (17,815) |
| 2008 Debt Retirement | 0 | 8,641 | (8,641) |
| 2016 Debt Retirement | 152,142 | 131,663 | 20,479 |
| 2017 Debt Retirement | 106,320 | 127,017 | (20,697) |

In 2018, the General Fund balance decreased mostly due to a slight decrease in revenues and slight increase in expenditures, as budgeted for. The overall revenues were down due to the decrease in student enrollment. Expenditures overall remained steady compared to the prior year, with the exception of a new bus purchased in 2018.

The Food Service fund balance decreased primarily due to the decline in students, as expenditures were quite comparable to the prior year, with a small decrease.

The 2008 Debt Retirement fund balance decreased due to the debt being paid off in the 17/18 fiscal year.

The 2016 Debt Retirement fund balance increase is attributed to property tax revenues exceeding the debt payments during the fiscal year.

The 2017 Debt Retirement fund balance increase is attributed to the transfer in to close out the 2008 debt fund as well as property tax revenues exceeding the debt payments during the fiscal year.

## G. General Fund Budgetary Highlights

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

For the 2017-2018 fiscal year, the District amended the General Fund budget with the Board adopting the final amendments in June 2018. The following schedule shows a comparison of the original General Fund budget, the final amended General Fund budget, and actual totals from operations:

| | ORIGINAL BUDGET | FINAL BUDGET | ACTUAL |
|---|---|---|---|
| REVENUES | $ 10,529,740 | $ 10,778,742 | $ 10,573,479 |
| EXPENDITURES | | | |
| Instruction | $ 6,617,167 | $ 6,610,445 | $ 6,525,219 |
| Supporting Services | 4,671,621 | 4,630,158 | 4,440,139 |
| Community Activities | 6,876 | 10,594 | 2,839 |
| Welfare Activities | 0 | 1,155 | 0 |
| Payments to Other Districts | 4,367 | 5,918 | 4,860 |
| Total Expenditures | $ 11,300,031 | $ 11,258,270 | $ 10,973,057 |

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

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

## H. Capital Asset and Debt Administration

### *1. Capital Assets*

By the end of the 2017-2018 fiscal year, the District had invested $28,624,161 in a broad range of capital assets, including school buildings and facilities, school buses and other vehicles, and various types of equipment. Depreciation expense for the year amounted to $701,955 bringing the accumulated depreciation to $12,641,232 as of June 30, 2018. The District purchased a new bus for $79,000 during the fiscal year.

### *2. Long-Term Debt*

At June 30, 2018, the District had $32,917,741 in long-term debt outstanding, including the current portion of long-term debt. This represents a decrease of $758,388 from the amount outstanding at the close of the prior fiscal year.

## I. Factors Bearing on the District's Future

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

- All three of the District's union contracts expired in June 2018. The contract has been approved for one of the union groups. Another group is on the verge of being approved while the third group is moving forward with the negotiation process. The District does expect a positive negotiating atmosphere as all groups look to work together in order to improve Roscommon Area Public Schools' financial and academic success.

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

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

- The current foundation allowance is scheduled to increase $240 from $7,631 to $7,871 for the 2018-2019 school year. Uncertainty does still surround the level at which districts will be funded for the student foundation allowance now and in the future.

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

- In May 2018, the residents of Roscommon Area Public Schools approved the $3,500,000 2018 Building and Site Bonds (General Obligation-Unlimited Tax). Areas to be addressed include, but are not limited to: roofs, security improvements, new busses, upgrades to the on-site waste water treatment plant pumps and controls, boiler and unit ventilator replacements and adding electrical circuits. The improvements help to promote academic success and financial stability.

## J. Contacting the District's Financial Management

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

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ROSCOMMON AREA PUBLIC SCHOOLS
ROSCOMMON, MICHIGAN

# STATEMENT OF NET POSITION

JUNE 30, 2018

| | GOVERNMENTAL ACTIVITIES |
|---|---|
| ASSETS | |
| CURRENT ASSETS | |
| Cash | $ 2,161,390 |
| Accounts Receivable | 6,585 |
| Due from Other Governments | 810,050 |
| Inventories | 6,598 |
| Prepaid Expenditures | 91,866 |
| Total Current Assets | 3,076,489 |
| NONCURRENT ASSETS | |
| Capital Assets | 28,624,161 |
| Less Accumulated Depreciation | (12,641,232) |
| Total Noncurrent Assets | 15,982,929 |
| TOTAL ASSETS | 19,059,418 |
| DEFERRED OUTFLOWS OF RESOURCES | |
| Related to Pension | 3,318,590 |
| Related to Other Postemployment Benefits | 340,150 |
| Deferred Charges on Refunding | 301,859 |
| TOTAL DEFERRED OUTFLOWS OF RESOURCES | 3,960,599 |
| LIABILITIES | |
| CURRENT LIABILITIES | |
| Accounts Payable | 288,742 |
| Accrued Expenses | 61,519 |
| Accrued Interest Payable | 71,850 |
| Salaries and Benefits Payable | 657,753 |
| Unearned Revenue | 169,956 |
| Due to Other Governments | 81,311 |
| Current Portion of Noncurrent Liabilities | 935,000 |
| Total Current Liabilities | 2,266,131 |

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

ROSCOMMON AREA PUBLIC SCHOOLS
ROSCOMMON, MICHIGAN

## STATEMENT OF NET POSITION

JUNE 30, 2018

| | GOVERNMENTAL ACTIVITIES |
|---|---|
| NONCURRENT LIABILITIES | |
| Bonds Payable - Net | 11,767,367 |
| Compensated Absences | 421,967 |
| Net Pension Liability | 16,000,985 |
| Net Other Postemployment Benefits Liability | 5,454,789 |
| Less Current Portion of Non Current Liabilities | (935,000) |
| Total Non Current Liabilities | 32,710,108 |
| TOTAL LIABILITIES | 34,976,239 |
| DEFERRED INFLOWS OF RESOURCES | |
| Related to Pensions | 1,951,597 |
| Related to Other Postemployment Benefits | 184,411 |
| TOTAL DEFERRED INFLOWS OF RESOURCES | 2,136,008 |
| NET POSITION | |
| Net Investment in Capital Assets | 4,215,562 |
| Restricted for Debt Service | 186,612 |
| Unrestricted (Deficit) | (18,494,404) |
| TOTAL NET POSITION | $ (14,092,230) |

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

ROSCOMMON AREA PUBLIC SCHOOLS
ROSCOMMON, MICHIGAN

# STATEMENT OF ACTIVITIES

## YEAR ENDED JUNE 30, 2018

| FUNCTIONS/PROGRAMS | EXPENSES | PROGRAM REVENUES: CHARGES FOR SERVICES | PROGRAM REVENUES: OPERATING GRANTS | PROGRAM REVENUES: CAPITAL GRANTS | GOVERNMENTAL ACTIVITIES: NET (EXPENSE) REVENUE AND CHANGES IN NET POSITION |
|---|---|---|---|---|---|
| GOVERNMENTAL ACTIVITIES | | | | | |
| Instruction | $ 6,217,854 | $ 0 | $ 2,135,551 | $ 0 | $ (4,082,303) |
| Supporting Services | 4,708,503 | 239,378 | 443,762 | 0 | (4,025,363) |
| Community Activities | 12,591 | 0 | 7,649 | 0 | (4,942) |
| Payments to Other Districts | 4,860 | 0 | 0 | 0 | (4,860) |
| Food Service Activities | 631,837 | 205,354 | 399,583 | 0 | (26,900) |
| Interest on Long-Term Debt | 374,371 | 0 | 0 | 0 | (374,371) |
| Unallocated Depreciation | 504,897 | 0 | 0 | 0 | (504,897) |
| TOTAL GOVERNMENTAL ACTIVITIES | $ 12,454,913 | $ 444,732 | $ 2,986,545 | $ 0 | (9,023,636) |
| GENERAL REVENUES | | | | | |
| Property Taxes -General Purposes | | | | | 7,405,098 |
| Property Taxes -Debt Service | | | | | 1,471,969 |
| Investment Earnings -Unrestricted | | | | | 2,516 |
| State Sources | | | | | 279,153 |
| Gain on Sale of Assets | | | | | 2,951 |
| Other | | | | | 21,728 |
| Total General Revenues | | | | | 9,183,415 |
| Change in Net Position | | | | | 159,779 |
| NET POSITION - Beginning of Year (Deficit) As Restated | | | | | (14,252,009) |
| NET POSITION - End of Year (Deficit) | | | | | $ (14,092,230) |

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

ROSCOMMON AREA PUBLIC SCHOOLS
ROSCOMMON, MICHIGAN

# BALANCE SHEET
# GOVERNMENTAL FUNDS

JUNE 30, 2018

| | GENERAL FUND | SPECIAL REVENUE FUND FOOD SERVICE | DEBT FUNDS 2008 DEBT RETIREMENT FUND | DEBT FUNDS 2016 DEBT RETIREMENT FUND | DEBT FUNDS 2017 DEBT RETIREMENT FUND | TOTAL GOVERNMENTAL FUNDS |
|---|---|---|---|---|---|---|
| ASSETS | | | | | | |
| Cash | $ 1,895,278 | $ 8,443 | $ 1 | $ 152,004 | $ 105,664 | $ 2,161,390 |
| Accounts Receivable | 0 | 6,585 | 0 | 0 | 0 | 6,585 |
| Due from Other Governments | 810,050 | 0 | 0 | 0 | 0 | 810,050 |
| Due from Other Funds | 0 | 11,621 | 613 | 138 | 656 | 13,028 |
| Inventory | 0 | 6,598 | 0 | 0 | 0 | 6,598 |
| Prepaid Expenditures | 31,866 | 60,000 | 0 | 0 | 0 | 91,866 |
| TOTAL ASSETS | $ 2,737,194 | $ 93,247 | $ 614 | $ 152,142 | $ 106,320 | $ 3,089,517 |
| LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES | | | | | | |
| LIABILITIES | | | | | | |
| Accounts Payable | $ 267,603 | $ 21,139 | $ 0 | $ 0 | $ 0 | $ 288,742 |
| Accrued Expenses | 61,519 | 0 | 0 | 0 | 0 | 61,519 |
| Salaries and Benefits Payable | 657,753 | 0 | 0 | 0 | 0 | 657,753 |
| Unearned Revenue | 164,914 | 5,042 | 0 | 0 | 0 | 169,956 |
| Due to Other Funds | 12,414 | 0 | 614 | 0 | 0 | 13,028 |
| Due to Other Governments | 81,311 | 0 | 0 | 0 | 0 | 81,311 |
| Total Liabilities | 1,245,514 | 26,181 | 614 | 0 | 0 | 1,272,309 |
| DEFERRED INFLOWS OF RESOURCES | | | | | | |
| Unavailable Revenue - Settlement Proceeds | 143,663 | 0 | 0 | 0 | 0 | 143,663 |

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

ROSCOMMON AREA PUBLIC SCHOOLS
ROSCOMMON, MICHIGAN

BALANCE SHEET
GOVERNMENTAL FUNDS

JUNE 30, 2018

| | GENERAL FUND | SPECIAL REVENUE FUND FOOD SERVICE | DEBT FUNDS 2008 DEBT RETIREMENT FUND | DEBT FUNDS 2016 DEBT RETIREMENT FUND | DEBT FUNDS 2017 DEBT RETIREMENT FUND | TOTAL GOVERNMENTAL FUNDS |
|---|---|---|---|---|---|---|
| FUND BALANCE | | | | | | |
| Nonspendable, Inventory | 0 | 6,598 | 0 | 0 | 0 | 6,598 |
| Nonspendable for Prepaid Expenditures | 31,866 | 60,000 | 0 | 0 | 0 | 91,866 |
| Restricted for: | | | | | | |
| Food Service | 0 | 468 | 0 | 0 | 0 | 468 |
| Debt Service | 0 | 0 | 0 | 152,142 | 106,320 | 258,462 |
| Committed for Compensated Absences | 421,967 | 0 | 0 | 0 | 0 | 421,967 |
| Assigned for Subsequent Year | | | | | | |
| Budget Shortfall | 688,634 | 0 | 0 | 0 | 0 | 688,634 |
| Unassigned | 205,550 | 0 | 0 | 0 | 0 | 205,550 |
| Total Fund Balances | 1,348,017 | 67,066 | 0 | 152,142 | 106,320 | 1,673,545 |
| TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES | $ 2,737,194 | $ 93,247 | $ 614 | $ 152,142 | $ 106,320 | $ 3,089,517 |

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

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ROSCOMMON AREA PUBLIC SCHOOLS
ROSCOMMON, MICHIGAN

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

JUNE 30, 2018

| | | |
|---|---|---|
| Total Governmental Fund Balances | | $ 1,673,545 |
| Amounts reported for governmental activities in the Statement of Net Position are different because: | | |
| Capital assets used in governmental activities are not financial resources and are not reported in the funds. | | |
| The cost of the capital assets is | $ 28,624,161 | |
| Accumulated depreciation is | (12,641,232) | 15,982,929 |
| Long-term liabilities are not due and payable in the current period and are not reported in the funds. | | |
| Bonds Payable | | (11,040,000) |
| Compensated Absences | | (421,967) |
| Net Pension Liability | | (16,000,985) |
| Net Other Postemployment Benefits Liability | | (5,454,789) |
| Long-term receivables are not available to pay current period expenditures and therefore are unavailable in governmental funds. | | |
| Settlement Proceeds | | 143,663 |
| Governmental funds expense the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities. | | |
| Bond Discount (Premium) Net of Amortization | | (727,367) |
| Bond Deferred (Gain) Loss on Refunding | | 301,859 |
| 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 Pension | | 3,318,590 |
| Deferred Inflows of Resources Related to Pensions | | (1,951,597) |
| Deferred Outflows of Resources Related to OPEB | | 340,150 |
| Deferred Inflows of Resources Related to OPEB | | (184,411) |
| Accrued interest on long-term debt is not included as a liability in governmental funds, it is recorded when paid. | | (71,850) |
| NET POSITION OF GOVERNMENTAL ACTIVITIES | | $ (14,092,230) |

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

ROSCOMMON AREA PUBLIC SCHOOLS
ROSCOMMON, MICHIGAN

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

YEAR ENDED JUNE 30, 2018

| | GENERAL FUND | SPECIAL REVENUE FUND FOOD SERVICE | DEBT FUNDS 2008 DEBT RETIREMENT FUND | DEBT FUNDS 2016 DEBT RETIREMENT FUND | DEBT FUNDS 2017 DEBT RETIREMENT FUND | TOTAL GOVERNMENTAL FUNDS |
|---|---|---|---|---|---|---|
| REVENUES | | | | | | |
| Local Sources | $ 7,570,709 | $ 205,854 | $ 1,014,971 | $ 374,979 | $ 83,375 | $ 9,249,888 |
| State Sources | 1,785,822 | 21,616 | 6,157 | 2,242 | 498 | 1,816,335 |
| Federal Sources | 1,072,906 | 377,967 | 0 | 0 | 0 | 1,450,873 |
| Other Transactions | 144,042 | 0 | 0 | 0 | 0 | 144,042 |
| Total Revenues | 10,573,479 | 605,437 | 1,021,128 | 377,221 | 83,873 | 12,661,138 |
| EXPENDITURES | | | | | | |
| Instruction | | | | | | |
| Basic Programs | 5,121,323 | 0 | 0 | 0 | 0 | 5,121,323 |
| Added Needs | 1,403,896 | 0 | 0 | 0 | 0 | 1,403,896 |
| Supporting Services | | | | | | |
| Pupil | 201,417 | 0 | 0 | 0 | 0 | 201,417 |
| Pupil - ISD Services | 282,042 | 0 | 0 | 0 | 0 | 282,042 |
| Instructional Staff | 442,705 | 0 | 0 | 0 | 0 | 442,705 |
| General Administration | 285,638 | 0 | 0 | 0 | 0 | 285,638 |
| School Administration | 804,842 | 0 | 0 | 0 | 0 | 804,842 |
| Business | 200,515 | 0 | 364 | 42 | 43 | 200,964 |
| Operation and Maintenance | 1,153,102 | 0 | 0 | 0 | 0 | 1,153,102 |
| Pupil Transportation Services | 607,830 | 0 | 0 | 0 | 0 | 607,830 |
| Central Services | 210,857 | 0 | 0 | 0 | 0 | 210,857 |
| Athletic Activities | 251,191 | 0 | 0 | 0 | 0 | 251,191 |
| Community Activities | 2,839 | 0 | 0 | 0 | 0 | 2,839 |
| Payments to Other Districts | 4,860 | 0 | 0 | 0 | 0 | 4,860 |
| Food Service Activities | 0 | 623,328 | 0 | 0 | 0 | 623,328 |

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

ROSCOMMON AREA PUBLIC SCHOOLS
ROSCOMMON, MICHIGAN

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

YEAR ENDED JUNE 30, 2018

| | | SPECIAL REVENUE FUND | DEBT FUNDS | | | |
|---|---|---|---|---|---|---|
| | GENERAL FUND | FOOD SERVICE | 2008 DEBT RETIREMENT FUND | 2016 DEBT RETIREMENT FUND | 2017 DEBT RETIREMENT FUND | TOTAL GOVERNMENTAL FUNDS |
| Debt Service | | | | | | |
| Principal | 0 | 0 | 880,000 | 110,000 | 0 | 990,000 |
| Interest and Fiscal Charges | 0 | 0 | 44,150 | 246,700 | 209,782 | 500,632 |
| Total Expenditures | 10,973,057 | 623,328 | 924,514 | 356,742 | 209,825 | 13,087,466 |
| Excess (Deficiency) of Revenues Over Expenditures | (399,578) | (17,891) | 96,614 | 20,479 | (125,952) | (426,328) |
| OTHER FINANCING SOURCES (USES) | | | | | | |
| Proceeds from Sale of Capital Assets | 2,951 | 0 | 0 | 0 | 0 | 2,951 |
| Transfer In | 0 | 76 | 0 | 0 | 105,255 | 105,331 |
| Transfer Out | (76) | 0 | (105,255) | 0 | 0 | (105,331) |
| Total Other Financing Sources (Uses) | 2,875 | 76 | (105,255) | 0 | 105,255 | 2,951 |
| Net Change in Fund Balance | (396,703) | (17,815) | (8,641) | 20,479 | (20,697) | (423,377) |
| FUND BALANCE - Beginning of Year | 1,744,720 | 84,881 | 8,641 | 131,663 | 127,017 | 2,096,922 |
| FUND BALANCE - End of Year | $ 1,348,017 | $ 67,066 | $ 0 | $ 152,142 | $ 106,320 | $ 1,673,545 |

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

# ROSCOMMON AREA PUBLIC SCHOOLS
# ROSCOMMON, MICHIGAN

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

## YEAR ENDED JUNE 30, 2018

| | | |
|---|---|---|
| Net Change in Fund Balances Total Governmental Funds | $ | (423,377) |
| Amounts reported for governmental activities are different because: | | |
| Governmental funds report capital outlays as expenditures. In the Statement of Activities, these costs are allocated over their estimated useful lives as depreciation. | | |
| Depreciation Expense | | (701,955) |
| Capital Outlay | | 79,000 |
| Accrued interest on bonds is recorded in the Statement of Activities when incurred; it is not recorded in governmental funds until it is paid: | | |
| Accrued Interest Payable - Beginning of Year | | 97,495 |
| Accrued Interest Payable - End of Year | | (71,850) |
| The issuance of Long-Term Debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities. | | |
| Repayment of Bond Principal | | 990,000 |
| Amortization of Bond Premium | | 144,218 |
| Amortization of Bond Deferred Loss on Refunding | | (43,602) |
| Employees' compensated absences are reported on the accrual method in the Statement of Activities, and recorded as an expenditure when financial resources are used in the governmental funds: | | |
| Retirement Incentive - Beginning of Year | | 16,666 |
| Retirement Incentive - End of Year | | 0 |
| Compensated Absences - Beginning of Year | | 426,979 |
| Compensated Absences - End of Year | | (421,967) |

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

ROSCOMMON AREA PUBLIC SCHOOLS
ROSCOMMON, MICHIGAN

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

YEAR ENDED JUNE 30, 2018

| | | |
|---|---|---|
| Revenue is recorded on the accrual method in the Statement of Activities; in the governmental funds it is recorded on the modified accrual method and not considered available: | | |
| Unavailable Revenue - Beginning of Year | | (191,550) |
| Unavailable Revenue - End of Year | | 143,663 |
| Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds. | | |
| Change in Pension Related Items | | 100,173 |
| Change in Other Postemployment Benefits Related Items | | 17,396 |
| Restricted revenue reported in the governmental funds that is deferred to offset the deferred outflows related to section 147c pension and other postemployment benefit contributions subsequent to the measurement date. | | |
| Change in State Aid Funding for Pension and Other Postemployment Benefits | | (1,510) |
| CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES | $ | 159,779 |

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

ROSCOMMON AREA PUBLIC SCHOOLS
ROSCOMMON, MICHIGAN

# STATEMENT OF FIDUCIARY NET POSITION
## FIDUCIARY FUNDS

JUNE 30, 2018

| | AGENCY FUND |
|---|---|
| ASSETS | |
| Cash | $ 180,122 |
| LIABILITIES | |
| Due to Groups and Organizations | 180,122 |
| NET POSITION | $ 0 |

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

## NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

### A. Reporting Entity

The School District ("the District") is located in Roscommon County with its administrative offices located in Roscommon, Michigan. The District operates under an elected 7-member board of education and provides services to its 1,013 students in elementary, middle school, high school, special education, transportation, food service, and athletics. The District receives funding from local, state, and federal government sources and must comply with all of the requirements of these funding source entities. The District is not included in any other governmental reporting entity as defined by generally accepted accounting principles. Board members are elected by the public and have decision-making authority, the power to designate management, the ability to significantly influence operations, and the primary accountability for fiscal matters.

### B. Description of Government-Wide Financial Statements

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

### C. Basis of Presentation – Government-Wide Financial Statements

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

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

### D. Basis of Presentation – Fund Financial Statements

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

The District reports the following major governmental funds:

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

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

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

Additionally, the District reports the following fiduciary fund:

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

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

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

## E. Measurement Focus and Basis of Accounting

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

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

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

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

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

## F. Budgetary Information

### *1. Budgetary Basis of Accounting*

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

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

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

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

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

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

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

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

(f) Budgeted amounts are as originally adopted on June 20, 2017, or as amended by the School Board of Education at various times throughout the year.

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

***1. Cash and Cash Equivalents***

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

***2. Investments***

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

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

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

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

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

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

### 3. *Inventory and Prepaid Items*

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

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

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

### 4. *Capital Assets*

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

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

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

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

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

### 5. *Unearned Revenue*

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

### 6. *Deferred Outflows/Inflows of Resources*

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District has three items that qualify for reporting in this category. They are the deferred bond charges and the others relate to the pension and other postemployment benefits related items reported in the government-wide *Statement of Net Position*.

A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or funding debt. A deferred outflow is recognized for pension and other postemployment benefit related items. These amounts are expenses in the plan year in which they apply. Details can be found in footnotes 2.E. and 2.F.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. The separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District has two items that qualifies for reporting in this category. They are future resources yet to be recognized in relation to the pension and other postemployment benefit actuarial calculation. These future resources arise from differences in the estimates used by the actuary to calculate the pension and other postemployment benefit liability and the actual results. Details can be found in footnotes 2.E. and 2.F.

### 7. *Long-Term Obligations*

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

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

### 8. *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.

### 9. *Net Position Flow Assumption*

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

### *10. Fund Balance Flow Assumption*

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

### *11. Fund Balance Policies*

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

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

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

### *12. Use of Estimates*

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

## H. Revenues and Expenditures/Expenses

### *1. State Revenue*

The State of Michigan utilizes a foundation grant approach which provides for a specific annual amount of revenue per pupil based on a statewide formula. The local portion of the foundation is funded primarily by non-homestead property taxes. Since the District's property tax collections exceed the state's formula, the foundation grant approach does not apply to the District. Instead, the District uses it's locally collected property taxes to fund the District. The District went out of formula in the current fiscal year.

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

### *2. Program Revenues*

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

### *3. Property Taxes*

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

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

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

| Fund | Mills |
|---|---|
| General Fund - Non-Principal Residence Exemption (PRE) | 17.9478 |
| General Fund - Non-PRE Commercial Personal Property | 5.9478 |
| Debt Service Fund - PRE, Non-PRE, Commercial Personal Property | 2.14 |

### 4. *Compensated Absences*

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

## NOTE 2 – DETAILED NOTES ON ALL ACTIVITIES AND FUNDS

### A. Deposits and Investments

*Custodial credit risk – deposits.* In the case of deposits, this is the risk that in the event of a bank failure, the District's deposits may not be returned to it. As of June 30, 2018, the District's bank balance was $2,593,960 and $1,713,290 of that amount was exposed to custodial credit risk because it was uninsured and uncollateralized. The risk is spread amongst the District's funds. Although the District's investment policy does not directly address custodial credit risk, it typically limits its exposure by purchasing insured or registered investments or by controlling who holds the deposits.

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

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

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

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

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

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

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

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

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

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

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

The carrying amount of deposits is as follows:

| | Total |
|---|---|
| Deposits – including Fiduciary Funds of $180,122 | $ 2,341,512 |

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

| | Total |
|---|---|
| Cash - Fiduciary Funds | $ 180,122 |
| Cash - District-Wide | 2,161,390 |
| | $ 2,341,512 |

### B. Receivables

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

| | GENERAL FUND | FOOD SERVICE | TOTAL |
|---|---|---|---|
| Accounts Receivable | $ 0 | $ 6,585 | $ 6,585 |
| Due from Other Governments | 810,050 | 0 | 810,050 |
| | $ 810,050 | $ 6,585 | $ 816,635 |

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

### C. Capital Assets

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

| | Balance June 30, 2017 | Additions | Deletions | Balance June 30, 2018 |
|---|---|---|---|---|
| Capital assets not being depreciated - Land | $ 76,258 | $ 0 | $ 0 | $ 76,258 |
| Capital assets being depreciated | | | | |
| Land improvements | 1,348,838 | 0 | 0 | 1,348,838 |
| Buildings and improvements | 23,850,446 | 0 | 0 | 23,850,446 |
| Machinery and equipment | 2,175,969 | 0 | 0 | 2,175,969 |
| Vehicles and buses | 1,093,650 | 79,000 | 0 | 1,172,650 |
| Subtotal | 28,468,903 | 79,000 | 0 | 28,547,903 |
| Less accumulated depreciation for: | | | | |
| Land improvements | 714,804 | 51,841 | 0 | 766,645 |
| Buildings and improvements | 8,559,999 | 501,305 | 0 | 9,061,304 |
| Machinery and equipment | 1,808,198 | 75,591 | 0 | 1,883,789 |
| Vehicles and buses | 856,276 | 73,218 | 0 | 929,494 |
| Accumulated depreciation | 11,939,277 | 701,955 | 0 | 12,641,232 |
| Net capital assets being depreciated | 16,529,626 | (622,955) | 0 | 15,906,671 |
| Net capital assets | $ 16,605,884 | $ (622,955) | $ 0 | $ 15,982,929 |

Depreciation for the fiscal year ended June 30, 2018, amounted to $701,955

Depreciation expense was allocated to governmental activities as follows:

| | | |
|---|---|---|
| Instruction | $ | 52,748 |
| Support Services | | 123,868 |
| Community Activities | | 8,922 |
| Food Services | | 11,520 |
| Unallocated | | 504,897 |
| Total Governmental Activities Depreciation Expense | $ | 701,955 |

## D. Retirement 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.

### Benefits Provided - 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 $1,579,704.

The District's OPEB contributions for the year ended June 30, 2018 were approximately $376,622.

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).

## E. 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 $16,000,985 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 0.0617459% and 0.0619214%.

**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 $838,709. 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 | $ 139,059 | $ 78,513 |
| Changes of assumptions | 1,753,035 | 0 |
| Net difference between projected and actual earnings on pension plan investments | 0 | 764,952 |
| Changes in proportion and differences between District contributions and proportionate share of contributions | 0 | 467,311 |
| District section 147c revenue related to pension contributions subsequent to the measurement date | 0 | 640,821 |
| District contributions subsequent to the measurement date | 1,426,496 | 0 |
| **Total** | $ 3,318,590 | $ 1,951,597 |

$1,426,496 reported as deferred outflows of resources and $640,821 reported as deferred inflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a net reduction of the net pension liability in the year ended June 30, 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 | $ 98,787 |
| 2019 | 377,693 |
| 2020 | 143,522 |
| 2021 | (38,684) |
| | $ 581,318 |

**F. 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 $5,454,789 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 0.0615980 percent.

**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 $359,226.

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 | $ 58,077 |
| Changes of assumptions | 0 | 0 |
| Net difference between projected and actual earnings on OPEB plan investments | 0 | 126,334 |
| Changes in proportion and differences between District contributions and proportionate share of contributions | 1,842 | 0 |
| District contributions subsequent to the measurement date | 338,308 | 0 |
| **Total** | $ 340,150 | $ 184,411 |

$338,308 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 | $ (44,151) |
| 2019 | (44,151) |
| 2020 | (44,151) |
| 2021 | (44,151) |
| 2022 | (5,965) |
| | $ (182,569) |

**G. 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% |
|---|---|---|
| $ 20,843,961 | $ 16,000,985 | $ 11,923,507 |

***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% |
|---|---|---|
| $ 6,389,134 | $ 5,454,789 | $ 4,661,822 |

***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% | Current Healthcare Cost Trend Rates (7.5% decreasing to 3.5%) | 1% Increase (8.5% decreasing to 4.5%) |
|---|---|---|
| $ 4,619,473 | $ 5,454,789 | $ 6,403,232 |

**H. 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.

**I. 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 $233,835 to the pension and OPEB plan. These amounts represent current payments for June paid in July, 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).

**J. Risk Management**

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

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

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

**K. Long-Term Liabilities**

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 |
|---|---|---|---|---|---|
| Debt Payable at Beginning of Year | $ 12,030,000 | $ 443,645 | $ 5,753,594 | $ 15,448,890 | $ 33,676,129 |
| Increase in Debt | 0 | 0 | 180,761 | 2,000,364 | 2,181,125 |
| Debt Retired | (990,000) | (21,678) | (479,566) | (1,448,269) | (2,939,513) |
| Debt Payable End of Year | 11,040,000 | 421,967 | 5,454,789 | 16,000,985 | 32,917,741 |
| Less Current Portion | 935,000 | 0 | unknown | unknown | 935,000 |
| Net Long-Term Debt | $ 10,105,000 | $ 421,967 | $ 5,454,789 | $ 16,000,985 | $ 31,982,741 |

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

| | |
|---|---|
| 2017 Refunding Bonds Due in Annual Installments of $935,000 to $1,050,000 through May 1, 2023 at 3.0% to 4.0% | $ 4,995,000 |
| 2016 Refunding Bonds Due in Annual Installments of 1,115,000 to $1,310,000 through May 1, 2028, Interest at 4.0% | 6,045,000 |
| Compensated Absences | 421,967 |
| Net Pension Liability | 16,000,985 |
| Net OPEB Liability | 5,454,789 |
| | $ 32,917,741 |

The requirements to amortize debt outstanding as of June 30, 2018, including interest of $2,524,000 are as follows:

| | Bonds | | Amount |
|---|---|---|---|
| Year Ending June 30, | Principal | Interest | Payable |
| 2019 | $ 935,000 | $ 431,100 | $ 1,366,100 |
| 2020 | 960,000 | 393,700 | 1,353,700 |
| 2021 | 1,000,000 | 355,300 | 1,355,300 |
| 2022 | 1,050,000 | 315,300 | 1,365,300 |
| 2023 | 1,050,000 | 283,800 | 1,333,800 |
| 2024-2028 | 6,045,000 | 744,800 | 6,789,800 |
| | $ 11,040,000 | $ 2,524,000 | 13,564,000 |
| Compensated Absences | | | 421,967 |
| Net Pension | | | 16,000,985 |
| Net OPEB | | | 5,454,789 |
| | | | $ 35,441,741 |

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

**L. Interfund Receivables and Payables**

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

| | INTERFUND RECEIVABLES | INTERFUND PAYABLES |
|---|---|---|
| General Fund | $ 0 | $ 12,414 |
| Food Service Fund | 11,621 | 0 |
| 2017 Debt Retirement Fund | 656 | 0 |
| 2016 Debt Retirement Fund | 138 | 0 |
| 2008 Debt Retirement Fund | 613 | 614 |
| TOTAL | $ 13,028 | $ 13,028 |

All remaining balances generally resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made. All interfund balances outstanding at June 30, 2018, are expected to be repaid within one year.

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

| | TRANSFERS IN | TRANSFERS OUT |
|---|---|---|
| General Fund | $ 0 | $ 76 |
| Food Service Fund | 76 | 0 |
| 2008 Debt Retirement Fund | 0 | 105,255 |
| 2017 Debt Retirement Fund | 105,255 | 0 |
| | $ 105,331 | $ 105,331 |

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

**M. Tax Abatements**

It has been determined that the District has granted tax abatements as defined by GASB Statement No. 77. However, the total of these abatements is less than $6,500, and it has been determined they are not significant enough to warrant disclosure.

## N. New Accounting Standards

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

**Summary:**

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 | $ (8,762,182) |
| Adoption of GASB Statement 75: | |
| Net Other Postemployment Benefit Liability | (5,753,594) |
| Deferred outflows related to Other Postemployment Benefits | 437,148 |
| Deferred inflows related to Other Postemployment Benefits | (173,381) |
| Net Position - Governmental Activities - Restated as of June 30, 2017 | $ (14,252,009) |

## O. 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.

## P. Other Information

### *1. Commitments and Contingencies*

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

ROSCOMMON AREA PUBLIC SCHOOLS
ROSCOMMON, MICHIGAN

REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
MAJOR FUNDS

YEAR ENDED JUNE 30, 2018

| | GENERAL FUND | | | FOOD SERVICE FUND | | |
|---|---|---|---|---|---|---|
| | ORIGINAL BUDGET | FINAL BUDGET | ACTUAL | ORIGINAL BUDGET | FINAL BUDGET | ACTUAL |
| REVENUES | | | | | | |
| Local Sources | $ 7,595,655 | $ 7,686,229 | $ 7,570,709 | $ 189,203 | $ 205,000 | $ 205,854 |
| State Sources | 1,440,863 | 1,791,792 | 1,785,822 | 22,299 | 20,380 | 21,616 |
| Federal Sources | 1,343,881 | 1,166,929 | 1,072,906 | 364,720 | 382,448 | 377,967 |
| Other Transactions | 149,341 | 133,792 | 144,042 | 0 | 0 | 0 |
| Total Revenues | 10,529,740 | 10,778,742 | 10,573,479 | 576,222 | 607,828 | 605,437 |
| EXPENDITURES | | | | | | |
| Instruction | | | | | | |
| Basic Programs | 5,053,545 | 5,162,860 | 5,121,323 | 0 | 0 | 0 |
| Added Needs | 1,563,622 | 1,447,585 | 1,403,896 | 0 | 0 | 0 |
| Supporting Services | | | | | | |
| Pupil | 218,067 | 202,754 | 201,417 | 0 | 0 | 0 |
| Pupil - ISD Services | 224,000 | 282,042 | 282,042 | 0 | 0 | 0 |
| Instructional Staff | 499,446 | 467,198 | 442,705 | 0 | 0 | 0 |
| General Administration | 327,501 | 301,280 | 285,638 | 0 | 0 | 0 |
| School Administration | 736,628 | 815,341 | 804,842 | 0 | 0 | 0 |
| Business | 253,753 | 216,496 | 200,515 | 0 | 0 | 0 |
| Operation and Maintenance | 1,229,867 | 1,202,573 | 1,153,102 | 0 | 0 | 0 |
| Pupil Transportation Services | 721,588 | 659,719 | 607,830 | 0 | 0 | 0 |
| Central Services | 244,474 | 225,383 | 210,857 | 0 | 0 | 0 |
| Athletic Activities | 216,297 | 257,372 | 251,191 | 0 | 0 | 0 |
| Community Activities | 6,876 | 10,594 | 2,839 | 0 | 0 | 0 |
| Welfare Activities | 0 | 1,155 | 0 | 0 | 0 | 0 |
| Payments to Other Districts | 4,367 | 5,918 | 4,860 | 0 | 0 | 0 |
| Food Service Activities | 0 | 0 | 0 | 546,533 | 640,000 | 623,328 |
| Total Expenditures | 11,300,031 | 11,258,270 | 10,973,057 | 546,533 | 640,000 | 623,328 |
| Excess (Deficiency) of Revenues Over Expenditures | (770,291) | (479,528) | (399,578) | 29,689 | (32,172) | (17,891) |
| OTHER FINANCING SOURCES (USES) | | | | | | |
| Proceeds from Sale of Capital Assets | 0 | 0 | 2,951 | 0 | 0 | 0 |
| Transfers In | 0 | 0 | 0 | 0 | 100 | 76 |
| Transfers Out | 0 | (1,900) | (76) | 0 | 0 | 0 |
| Total Other Financing Sources (Uses) | 0 | (1,900) | 2,875 | 0 | 100 | 76 |
| Net Change in Fund Balance | (770,291) | (481,428) | (396,703) | 29,689 | (32,072) | (17,815) |
| FUND BALANCE - Beginning of Year | 1,568,913 | 1,744,720 | 1,744,720 | 86,432 | 84,881 | 84,881 |
| FUND BALANCE - End of Year | $ 798,622 | $ 1,263,292 | $ 1,348,017 | $ 116,121 | $ 52,809 | $ 67,066 |

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

ROSCOMMON AREA PUBLIC SCHOOLS
ROSCOMMON, MICHIGAN

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

| | 2023 | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 |
|---|---|---|---|---|---|---|---|---|---|---|
| District's proportion of net pension liability (%) | | | | | | | 0.06174590% | 0.06192140% | 0.06468109% | 0.06533000% |
| District's proportionate share of net pension liability | | | | | | | $ 16,000,985 | $ 15,448,890 | $ 15,798,374 | $ 14,390,381 |
| District's covered payroll | | | | | | | 5,192,262 | 5,098,713 | 5,383,819 | 5,447,545 |
| District's proportionate share of net pension liability as a percentage of its covered payroll | | | | | | | 308.17% | 303.00% | 293.44% | 264.16% |
| Plan fiduciary net position as a percentage of total pension liability | | | | | | | 64.21% | 63.27% | 63.17% | 66.20% |

ROSCOMMON AREA PUBLIC SCHOOLS
ROSCOMMON, 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 | | | | | | | $ 1,579,704 | $ 1,424,869 | $ 1,247,782 | $ 2,328,000 |
| Contributions in relation to statutorily required contributions * | | | | | | | 1,579,704 | 1,424,869 | 1,247,782 | 2,328,000 |
| Contribution deficiency (excess) | | | | | | | $ 0 | $ 0 | $ 0 | $ 0 |
| Covered Payroll | | | | | | | $ 5,183,834 | $ 5,044,901 | $ 5,093,302 | $ 5,447,545 |
| Contributions as a percentage of covered payroll | | | | | | | 30.47% | 28.24% | 24.50% | 42.73% |

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

ROSCOMMON AREA PUBLIC SCHOOLS
ROSCOMMON, MICHIGAN

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 (%) | | | | | | | | | | 0.06159800% |
| District's proportionate share of net OPEB liability | | | | | | | | | | $ 5,454,789 |
| District's covered payroll | | | | | | | | | | 5,192,262 |
| District's proportionate share of net OPEB liability as a percentage of its covered payroll | | | | | | | | | | 105.06% |
| Plan fiduciary net position as a percentage of total OPEB liability | | | | | | | | | | 36.39% |

ROSCOMMON AREA PUBLIC SCHOOLS
ROSCOMMON, 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 | | | | | | | | | | $ 376,622 |
| Contributions in relation to statutorily required contributions * | | | | | | | | | | 376,622 |
| Contribution deficiency (excess) | | | | | | | | | | $ 0 |
| Covered payroll | | | | | | | | | | $ 5,183,834 |
| Contributions as a percentage of covered payroll | | | | | | | | | | 7.27% |

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

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.

ROSCOMMON AREA PUBLIC SCHOOLS
ROSCOMMON, MICHIGAN

2016 REFUNDING BONDS
JUNE 30, 2018

| | | |
|---|---|---|
| AMOUNT OF ISSUE | | $ 6,155,000 |
| AMOUNT REDEEMED | | |
| Current Year | $ 110,000 | |
| Prior Years | 0 | 110,000 |
| BALANCE OUTSTANDING - June 30, 2018 | | $ 6,045,000 |

| DUE DATES | INTEREST RATES | REQUIREMENTS PRINCIPAL | INTEREST | TOTAL |
|---|---|---|---|---|
| November 1, 2018 | | | $ 120,900 | $ 120,900 |
| May 1, 2019 | | | 120,900 | 120,900 |
| November 1, 2019 | | | 120,900 | 120,900 |
| May 1, 2020 | | | 120,900 | 120,900 |
| November 1, 2020 | | | 120,900 | 120,900 |
| May 1, 2021 | | | 120,900 | 120,900 |
| November 1, 2021 | | | 120,900 | 120,900 |
| May 1, 2022 | | | 120,900 | 120,900 |
| November 1, 2022 | | | 120,900 | 120,900 |
| May 1, 2023 | | | 120,900 | 120,900 |
| November 1, 2023 | | | 120,900 | 120,900 |
| May 1, 2024 | 4.000% | $ 1,115,000 | 120,900 | 1,235,900 |
| November 1, 2024 | | | 98,600 | 98,600 |
| May 1, 2025 | 4.000% | 1,160,000 | 98,600 | 1,258,600 |
| November 1, 2025 | | | 75,400 | 75,400 |
| May 1, 2026 | 4.000% | 1,205,000 | 75,400 | 1,280,400 |
| November 1, 2026 | | | 51,300 | 51,300 |
| May 1, 2027 | 4.000% | 1,255,000 | 51,300 | 1,306,300 |
| November 1, 2027 | | | 26,200 | 26,200 |
| May 1, 2028 | 4.000% | 1,310,000 | 26,200 | 1,336,200 |
| | | $ 6,045,000 | $ 1,953,800 | $ 7,998,800 |

ROSCOMMON AREA PUBLIC SCHOOLS
ROSCOMMON, MICHIGAN

2017 REFUNDING BONDS
JUNE 30, 2018

| | | |
|---|---|---|
| AMOUNT OF ISSUE | | $ 4,995,000 |
| AMOUNT REDEEMED | | |
| Current Year | $ 0 | |
| Prior Years | 0 | 0 |
| BALANCE OUTSTANDING - June 30, 2018 | | $ 4,995,000 |

| DUE DATES | INTEREST RATES | REQUIREMENTS PRINCIPAL | INTEREST | TOTAL |
|---|---|---|---|---|
| November 1, 2018 | | | $ 94,650 | $ 94,650 |
| May 1, 2019 | 4.000% | $ 935,000 | 94,650 | 1,029,650 |
| November 1, 2019 | | | 75,950 | 75,950 |
| May 1, 2020 | 4.000% | 960,000 | 75,950 | 1,035,950 |
| November 1, 2020 | | | 56,750 | 56,750 |
| May 1, 2021 | 4.000% | 1,000,000 | 56,750 | 1,056,750 |
| November 1, 2021 | | | 36,750 | 36,750 |
| May 1, 2022 | 3.000% | 1,050,000 | 36,750 | 1,086,750 |
| November 1, 2022 | | | 21,000 | 21,000 |
| May 1, 2023 | 4.000% | 1,050,000 | 21,000 | 1,071,000 |
| | | $ 4,995,000 | $ 570,200 | $ 5,565,200 |