

CHARLEVOIX PUBLIC SCHOOLS

CHARLEVOIX, MICHIGAN

JUNE 30, 2018



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

CERTIFIED PUBLIC ACCOUNTANTS
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CHARLEVOIX PUBLIC SCHOOLS
CHARLEVOIX, MICHIGAN

ANNUAL FINANCIAL REPORT
YEAR ENDED JUNE 30, 2018

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August 9, 2018

INDEPENDENT AUDITOR'S REPORT

To the Board of Education
Charlevoix Public Schools
Charlevoix, 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 Charlevoix Public Schools, Charlevoix, 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 Charlevoix Public Schools, Charlevoix, 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 3.Q to the financial statements, Charlevoix 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, budgetary comparison schedule, schedule of proportionate share of the net pension liability, schedule of pension contributions, schedule of proportionate share of the net other postemployment benefit liability, schedule of other postemployment benefit contributions, and notes to required supplementary information on pages iv through xi and 41 through 46 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 Charlevoix Public Schools, Michigan's basic financial statements. The Other Information section on pages 47 through 51 is presented for purposes of additional analysis and is 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 it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated August 9, 2018, on our consideration of Charlevoix Public Schools, Michigan's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Charlevoix Public Schools, Michigan's internal control over financial reporting or on

compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Charlevoix Public Schools, Michigan's internal control over financial reporting and compliance.

BAIRD, COTTER AND BISHOP, P.C.

Baird, Cotter & Bishop, P.C.

CHARLEVOIX PUBLIC SCHOOLS
CHARLEVOIX, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED JUNE 30, 2018

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

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

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

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

B. Fund Financial Statements

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

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

CHARLEVOIX PUBLIC SCHOOLS
CHARLEVOIX, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED JUNE 30, 2018

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

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

Notes to Financial Statements

The Notes to Financial Statements provide additional information that is essential to a complete understanding of the information provided in both the government-wide and the fund financial statements.

Other Information

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

C. Summary of Net Position

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

	<u>2018</u>	<u>2017</u>
Assets		
Current Assets	\$ 18,484,225	\$ 6,627,399
Non Current Assets		
Capital Assets	38,636,351	36,605,076
Less Accumulated Depreciation	<u>(15,105,861)</u>	<u>(14,352,626)</u>
Total Non Current Assets	<u>23,530,490</u>	<u>22,252,450</u>
Total Assets	<u>42,014,715</u>	<u>28,879,849</u>
Deferred Outflows of Resources	<u>4,696,769</u>	<u>3,013,460</u>

CHARLEVOIX PUBLIC SCHOOLS
CHARLEVOIX, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED JUNE 30, 2018

	<u>2018</u>	<u>2017</u>
Liabilities		
Current Liabilities	4,377,453	4,469,857
Non Current Liabilities	<u>43,499,059</u>	<u>24,407,857</u>
 Total Liabilities	<u>47,876,512</u>	<u>28,877,714</u>
 Deferred Inflows of Resources	<u>1,791,144</u>	<u>578,028</u>
 Net Position		
Net Investment in Capital Assets	15,806,514	15,287,351
Restricted for Specific Purposes	374,752	0
Unrestricted (Deficit)	<u>(19,137,438)</u>	<u>(12,849,784)</u>
 Total Net Position	<u>\$ (2,956,172)</u>	<u>\$ 2,437,567</u>

D. Analysis of Financial Position

During the fiscal year ended June 30, 2018, the District's net position increased by \$394,913. 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, \$955,903 was recorded for depreciation expense.

2. Capital Outlay Acquisitions

For the fiscal year ended June 30, 2018, \$2,233,943 of expenditures were capitalized and recorded as assets of the District. The additions included an auxiliary gym (\$1,900,152), construction in process for a new elementary school building (\$60,857), 2018 school bus (\$83,478), track resurfacing (\$148,500), pole vault pit (\$17,880), Kubota zero turn mower (\$9,727), and a floor scrubber (\$13,349). These additions to the District's capital assets will be depreciated over time as explained above.

CHARLEVOIX PUBLIC SCHOOLS
CHARLEVOIX, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED JUNE 30, 2018

The District has committed to building a new elementary school during the 2018-19 fiscal year. The total cost of the project is estimated at \$14,335,000. Individual contracts for various phases of the project have been signed: \$618,500 for project management, \$910,351 for architectural work, and \$228,684 for demolition of the existing building. The District has also committed to purchasing computer equipment in the amount of \$198,960.

3. Pension and Other Postemployment Benefits Expense

GASB 68 and 75 now require the District to account for its payments to the Michigan Public School Employees' Retirement System in a manner that has a significant effect on the District's change in net position. Based on various factors, the District may report an increase or decrease in net position depending on whether the District's proportionate share of the net pension liability increases or decreases in any given year. For the year ended June 30, 2018, the District reported a decrease in net position of \$440,698 related to GASB 68 and 75, which indicates that the District's proportionate share of the net pension and other postemployment benefits liability has increased by that amount.

E. Change in Net Position

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*:

	<u>2018</u>	<u>2017</u>
General Revenues		
Property Taxes	\$ 10,374,410	\$ 9,167,418
Investment Earnings	116,594	32,923
State Sources	174,445	543,160
Other	<u>165,791</u>	<u>239,138</u>
Total General Revenues	<u>10,831,240</u>	<u>9,982,639</u>
Program Revenues		
Charges for Services	436,037	415,446
Operating Grants	<u>2,866,435</u>	<u>2,592,464</u>
Total Program Revenues	<u>3,302,472</u>	<u>3,007,910</u>
Total Revenues	<u>14,133,712</u>	<u>12,990,549</u>

CHARLEVOIX PUBLIC SCHOOLS
CHARLEVOIX, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED JUNE 30, 2018

	2018	2017
Expenses		
Instruction	7,755,991	7,396,086
Supporting Services	3,748,112	3,826,855
Food Service Activities	456,200	396,717
Community Services	1,015	3,896
Community Activities	4,430	9,401
Custody and Care of Children	83,754	30,667
Facilities Acquisition, Construction and Improvements	78,700	0
Non-Public School Pupils	62,419	57,088
Prior Period Adjustments	0	6,578
Interest on Long-Term Debt	324,907	297,106
Bond Issuance Costs	267,368	0
Unallocated Depreciation	955,903	930,968
	13,738,799	12,955,362
 Total Expenses	 13,738,799	 12,955,362
 Change in Net Position	 \$ 394,913	 \$ 35,187

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	\$ 1,242,715	\$ 1,398,931	\$ (156,216)
Food Service Fund	120,224	139,644	(19,420)
2011 Debt Service Fund	231,570	1	231,569
2012 Debt Service Fund	165,132	0	165,132
2015 Debt Service Fund	110,779	1,998	108,781
2015 Capital Projects Fund	158,241	2,648,545	(2,490,304)
2018 Capital Projects Fund	14,255,840	0	14,255,840
	\$ 16,284,501	\$ 4,189,119	\$ 12,095,382
 Total Governmental Funds	 \$ 16,284,501	 \$ 4,189,119	 \$ 12,095,382

In 2017/2018 fiscal year, the General Fund balance decreased its fund balance primarily due to a decrease of state shared revenues due to the student count trending downward in the fiscal year, while costs of operations increased. \$1,725 of the fund balance is nonspendable due to prepaid expenditures, \$73,108 is assigned for the 2018-19 fiscal year budget shortfall, the remaining \$1,167,882 is unassigned.

CHARLEVOIX PUBLIC SCHOOLS
CHARLEVOIX, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED JUNE 30, 2018

The Food Service fund decreased its fund balance due to revenues being down this year. The District budgeted for a small loss and spending down of fund balance. \$1,178 of the fund balance is nonspendable due to inventory, while the remaining balance of \$119,046 is restricted for food service.

The 2011 Debt Service Fund increased its fund balance due to taxes levied exceeding debt payments. The entire fund balance is restricted for debt service.

The 2012 Debt Service Fund taxes levied outweighed the debt payments, leading to the increase in fund balance. The entire fund balance is restricted for debt service.

The 2015 Debt Service Fund increased its fund balance because the taxes levied exceeded debt service payments for the year. The entire fund balance is restricted for debt service.

The 2015 Capital Projects Fund decreased its fund balance due to the construction of the new auxiliary gym and other capital projects. The entire fund balance is restricted for capital projects.

The 2018 Capital Projects Fund is a new fund this year and the fund balance is due to the face value of debt and minimal expenditures related to this project prior to year-end. The entire fund balance is restricted for capital projects.

G. General Fund Budgetary Highlights

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

For the 2017-2018 fiscal year, the District amended the general fund budget throughout the year, with the Board adopting the final changes 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:

	<u>ORIGINAL</u> <u>BUDGET</u>	<u>FINAL</u> <u>BUDGET</u>	<u>ACTUAL</u>
<u>REVENUES</u>	\$ 10,641,264	\$ 10,870,880	\$ 10,830,677
 <u>EXPENDITURES</u>			
Instruction	\$ 6,876,630	\$ 7,390,508	\$ 7,327,369
Supporting Services	3,687,350	3,660,637	3,583,675
Community Services	2,500	1,116	1,015
Community Activities	4,974	4,430	4,430
Custody and Care of Children	66,127	79,910	83,754
Non-Public School Pupils	64,060	63,074	62,419
Total Expenditures	<u>\$ 10,701,641</u>	<u>\$ 11,199,675</u>	<u>\$ 11,062,662</u>

CHARLEVOIX PUBLIC SCHOOLS
CHARLEVOIX, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED JUNE 30, 2018

The original budgeted revenues were increased primarily to account for the increase in state sources. Actual results compared to final budgeted revenues were very comparable. Original budgeted expenditures were amended and increased for instructional costs. Actual expenditures were slightly less than final budgeted figures primarily relating to supporting services and instruction expenditures.

H. Capital Asset and Debt Administration

1. Capital Assets

At June 30, 2018, the District has \$38,636,351 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 \$955,903 bringing the accumulated depreciation to \$15,105,861 as of June 30, 2018.

2. Long-Term Debt

At June 30, 2018, the District had \$21,885,000 in bonded debt outstanding. This represents an increase of \$12,345,000 over the amount outstanding at the close of the prior fiscal year. Other long-term debt includes compensated absences of \$802,256, net pension liability of \$16,852,084, and net other postemployment benefits liability of \$5,751,662.

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:

- The voters passed to sell bonds to build a new elementary school building at the current Round Lake Educational Center location. The current building will be mostly demolished, and a new elementary building will be constructed during the 2018-2019 school year. The District is planning on moving into the new building at the start of the 2019-2020 school year. This will reduce the footprint of the District by one less building. The current elementary building was approved for sale and a purchase agreement is in place for Charlevoix County to fully purchase the building once the District can vacate the premises and move into the newly constructed elementary building.
- In November of 2017, voters in the Charlevoix-Emmet ISD boundaries voted to approve a 10-year regional enhancement millage. Charlevoix Public Schools will receive a per-pupil allocation from the ISD based on ISD-wide millage dollars collected divided by total ISD-wide student count figures. Based on current estimates, this could be as much as \$673 per student during the 208-2019 school year.
- The District is planning on going out-of-formula for the 2018-2019 school year. Taxable values have increased, while student count continues to decrease. This will mean the District will no longer receive the standard state per pupil foundation allowance but will receive the majority of funding directly from the taxpayers through annual tax levies. There is a direct impact on taxable

CHARLEVOIX PUBLIC SCHOOLS
CHARLEVOIX, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED JUNE 30, 2018

value changes on the District's financial condition. The 2018 levy indicates that taxable values are increasing and will help add operating purchasing power for the District in the coming school year.

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 Director of Finance and Administrative Service, Charlevoix Public Schools, 104 East St. Mary's Drive, Charlevoix, Michigan 49720.

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CHARLEVOIX PUBLIC SCHOOLS
CHARLEVOIX, MICHIGAN

STATEMENT OF NET POSITION

JUNE 30, 2018

ASSETS

CURRENT ASSETS

Cash	\$ 1,118,870
Restricted Cash	158,241
Accounts Receivable	50,507
Due from Other Governments	283,955
Inventories	1,178
Prepaid Expenses	1,725
Investments	2,587,014
Restricted Investments	<u>14,282,735</u>
 Total Current Assets	 <u>18,484,225</u>

NON CURRENT ASSETS

Capital Assets	38,636,351
Less Accumulated Depreciation	<u>(15,105,861)</u>
 Total Non Current Assets	 <u>23,530,490</u>

TOTAL ASSETS 42,014,715

DEFERRED OUTFLOWS OF RESOURCES

Related to Pensions	4,341,558
Related to Other Postemployment Benefits	<u>355,211</u>
 TOTAL DEFERRED OUTFLOWS OF RESOURCES	 <u>4,696,769</u>

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

CHARLEVOIX PUBLIC SCHOOLS
CHARLEVOIX, MICHIGAN

STATEMENT OF NET POSITION

JUNE 30, 2018

LIABILITIES

CURRENT LIABILITIES

Accounts Payable	30,382
Due to Other Governments	524,000
Due to External Parties (Fiduciary Funds)	2,166
Accrued Expenses	440,246
Accrued Interest Payable	132,729
Salaries Payable	706,775
Unearned Revenue	496,155
Current Portion of Non Current Liabilities	<u>2,045,000</u>
Total Current Liabilities	<u>4,377,453</u>

NON CURRENT LIABILITIES

Bonds Payable - Net	22,138,057
Compensated Absences	802,256
Net Pension Liability	16,852,084
Net Other Postemployment Benefits Liability	5,751,662
Less Current Portion of Non Current Liabilities	<u>(2,045,000)</u>
Total Non Current Liabilities	<u>43,499,059</u>

TOTAL LIABILITIES

47,876,512

DEFERRED INFLOWS OF RESOURCES

Related to Pensions	1,596,696
Related to Other Postemployment Benefits	<u>194,448</u>
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>1,791,144</u>

NET POSITION

Net Investment in Capital Assets	15,806,514
Restricted for Debt Service	374,752
Unrestricted (Deficit)	<u>(19,137,438)</u>
TOTAL NET POSITION	<u><u>\$ (2,956,172)</u></u>

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

CHARLEVOIX PUBLIC SCHOOLS
CHARLEVOIX, MICHIGAN

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2018

FUNCTIONS/PROGRAMS	EXPENSES	PROGRAM REVENUES		GOVERNMENTAL ACTIVITIES NET (EXPENSE) REVENUE AND CHANGES IN NET POSITION
		CHARGES FOR SERVICES	OPERATING GRANTS	
<u>GOVERNMENTAL ACTIVITIES</u>				
Instruction	\$ 7,755,991	\$ 201,489	\$ 2,263,456	\$ (5,291,046)
Supporting Services	3,748,112	98,028	323,571	(3,326,513)
Food Service Activities	456,200	136,520	257,741	(61,939)
Community Services	1,015	0	0	(1,015)
Community Activities	4,430	0	0	(4,430)
Custody and Care of Children	83,754	0	0	(83,754)
Facilities Acquisition, Construction and Improvements	78,700	0	0	(78,700)
Non-Public School Pupils	62,419	0	21,667	(40,752)
Interest on Long Term Debt	324,907	0	0	(324,907)
Bond Issuance Costs	267,368	0	0	(267,368)
Unallocated Depreciation	955,903	0	0	(955,903)
TOTAL GOVERNMENTAL ACTIVITIES	\$ 13,738,799	\$ 436,037	\$ 2,866,435	(10,436,327)
<u>GENERAL REVENUES</u>				
Property Taxes - General Purposes				7,679,065
Property Taxes - Debt Service				2,695,345
Investment Earnings				116,594
State Sources				174,445
Other				165,791
Total General Revenues				10,831,240
Change in Net Position				394,913
<u>NET POSITION</u> - Beginning of Year (Deficit) - (As Restated)				(3,351,085)
<u>NET POSITION</u> - End of Year (Deficit)				\$ (2,956,172)

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

CHARLEVOIX PUBLIC SCHOOLS
CHARLEVOIX, MICHIGAN

BALANCE SHEET
GOVERNMENTAL FUNDS

JUNE 30, 2018

	DEBT SERVICE FUNDS					CAPITAL PROJECTS FUNDS		TOTAL GOVERNMENTAL FUNDS
	GENERAL FUND	FOOD SERVICE FUND	2011 DEBT SERVICE FUND	2012 DEBT SERVICE FUND	2015 DEBT SERVICE FUND	2015 CAPITAL PROJECTS FUND	2018 CAPITAL PROJECTS FUND	
<u>ASSETS</u>								
Cash	\$ 490,645	\$ 120,724	\$ 231,584	\$ 165,135	\$ 110,782	\$ 0	\$ 0	\$ 1,118,870
Restricted Cash	0	0	0	0	0	158,241	0	158,241
Accounts Receivable	50,507	0	0	0	0	0	0	50,507
Due from Other Governments	277,888	6,067	0	0	0	0	0	283,955
Due from Other Funds	0	3,770	0	0	0	0	0	3,770
Inventories	0	1,178	0	0	0	0	0	1,178
Prepaid Expenditures	1,725	0	0	0	0	0	0	1,725
Investments	2,587,014	0	0	0	0	0	0	2,587,014
Restricted Investments	0	0	0	0	0	0	14,282,735	14,282,735
TOTAL ASSETS	\$ 3,407,779	\$ 131,739	\$ 231,584	\$ 165,135	\$ 110,782	\$ 158,241	\$ 14,282,735	\$ 18,487,995
<u>LIABILITIES AND FUND BALANCES</u>								
<u>LIABILITIES</u>								
Accounts Payable	\$ 3,467	\$ 0	\$ 14	\$ 3	\$ 3	\$ 0	\$ 26,895	\$ 30,382
Due to Other Funds	5,936	0	0	0	0	0	0	5,936
Due to Other Governments	524,000	0	0	0	0	0	0	524,000
Accrued Expenses	436,582	3,664	0	0	0	0	0	440,246
Salaries Payable	706,775	0	0	0	0	0	0	706,775
Unearned Revenue	488,304	7,851	0	0	0	0	0	496,155
Total Liabilities	2,165,064	11,515	14	3	3	0	26,895	2,203,494
<u>FUND BALANCES</u>								
Nonspendable for Inventory	0	1,178	0	0	0	0	0	1,178
Nonspendable for Prepaid Expenditures	1,725	0	0	0	0	0	0	1,725
Restricted for Food Service	0	119,046	0	0	0	0	0	119,046
Restricted for Debt Service	0	0	231,570	165,132	110,779	0	0	507,481
Restricted for Capital Projects	0	0	0	0	0	158,241	14,255,840	14,414,081
Assigned for Subsequent Year Budget	73,108	0	0	0	0	0	0	73,108
Unassigned	1,167,882	0	0	0	0	0	0	1,167,882
Total Fund Balances	1,242,715	120,224	231,570	165,132	110,779	158,241	14,255,840	16,284,501
TOTAL LIABILITIES AND FUND BALANCES	\$ 3,407,779	\$ 131,739	\$ 231,584	\$ 165,135	\$ 110,782	\$ 158,241	\$ 14,282,735	\$ 18,487,995

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

CHARLEVOIX PUBLIC SCHOOLS
CHARLEVOIX, MICHIGAN

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

JUNE 30, 2018

Total Governmental Fund Balances	\$ 16,284,501
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	\$ 38,636,351
Accumulated depreciation is	<u>(15,105,861)</u>
	23,530,490
Long-term liabilities are not due and payable in the current period and are not reported in the funds.	
Bonds Payable	(21,885,000)
Compensated Absences	(802,256)
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.	
	(253,057)
Some liabilities, including net pension obligations, are not due and payable in the current period and, therefore, are not reported in the funds.	
Net Pension Liability	(16,852,084)
Net Other Postemployment Benefits Liability	(5,751,662)
Deferred outflows (and inflows) of resources related to pensions are to future periods and, therefore, are not reported in the funds.	
Deferred Outflow of Resources - Related to Pensions	4,341,558
Deferred Inflow of Resources - Related to Pensions	(1,596,696)
Deferred Outflow of Resources - Related to Other Postemployment Benefits	355,211
Deferred Inflow of Resources - Related to Other Postemployment Benefits	(194,448)
Accrued interest is not included as a liability in government funds, it is recorded when paid.	
	<u>(132,729)</u>
NET POSITION OF GOVERNMENTAL ACTIVITIES	<u>\$ (2,956,172)</u>

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

CHARLEVOIX PUBLIC SCHOOLS
CHARLEVOIX, MICHIGAN

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

YEAR ENDED JUNE 30, 2018

	GENERAL FUND	FOOD SERVICE FUND	DEBT SERVICE FUNDS			CAPITAL PROJECTS FUNDS		TOTAL GOVERNMENTAL FUNDS
			2011 DEBT SERVICE FUND	2012 DEBT SERVICE FUND	2015 DEBT SERVICE FUND	2015 CAPITAL PROJECTS FUND	2018 CAPITAL PROJECTS FUND	
<u>REVENUES</u>								
Local Sources	\$ 8,043,521	\$ 137,685	\$ 1,933,308	\$ 386,468	\$ 386,663	\$ 3,244	\$ 68,236	\$ 10,959,125
Non-Educational Sources	43,798	0	0	0	0	0	0	43,798
State Sources	1,959,994	35,481	23,936	12,766	3,191	0	0	2,035,368
Federal Sources	311,434	220,808	0	0	0	0	0	532,242
Other Transactions	471,930	0	0	0	0	0	0	471,930
 Total Revenues	 10,830,677	 393,974	 1,957,244	 399,234	 389,854	 3,244	 68,236	 14,042,463
<u>EXPENDITURES</u>								
Instruction								
Basic Programs	5,735,878	0	0	0	0	0	0	5,735,878
Added Needs	1,591,491	0	0	0	0	0	0	1,591,491
Supporting Services								
Pupil	407,176	0	0	0	0	0	0	407,176
Instructional Staff	310,999	0	0	0	0	0	0	310,999
General Administration	296,893	0	0	0	0	0	0	296,893
School Administration	597,870	0	0	0	0	0	0	597,870
Business	154,141	0	30	0	0	28,850	1,494	184,515
Operation and Maintenance	1,076,864	0	0	0	0	139,952	0	1,216,816
Pupil Transportation Services	345,074	0	0	0	0	83,478	0	428,552
Central Services	144,491	0	0	0	0	156,921	0	301,412
Athletic Activities	250,167	0	0	0	0	0	0	250,167
Facilities Acquisition, Construction and Improvements	0	0	0	0	0	2,084,347	75,012	2,159,359
Food Service Activities	0	417,164	0	0	0	0	0	417,164
Community Services	1,015	0	0	0	0	0	0	1,015

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

CHARLEVOIX PUBLIC SCHOOLS
CHARLEVOIX, MICHIGAN

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

YEAR ENDED JUNE 30, 2018

	GENERAL FUND	FOOD SERVICE FUND	DEBT SERVICE FUNDS			CAPITAL PROJECTS FUNDS		TOTAL GOVERNMENTAL FUNDS
			2011 DEBT SERVICE FUND	2012 DEBT SERVICE FUND	2015 DEBT SERVICE FUND	2015 CAPITAL PROJECTS FUND	2018 CAPITAL PROJECTS FUND	
Community Activities	4,430	0	0	0	0	0	0	4,430
Custody and Care of Children	83,754	0	0	0	0	0	0	83,754
Non-Public School Pupils	62,419	0	0	0	0	0	0	62,419
Debt Service								
Principal	0	0	1,600,000	225,000	165,000	0	0	1,990,000
Bond Issuance Costs	0	0	0	0	0	0	267,368	267,368
Interest and Fees	0	0	125,645	9,102	116,073	0	0	250,820
Total Expenditures	11,062,662	417,164	1,725,675	234,102	281,073	2,493,548	343,874	16,558,098
Excess (Deficiency) of Revenues Over (Under) Expenditures	(231,985)	(23,190)	231,569	165,132	108,781	(2,490,304)	(275,638)	(2,515,635)
<u>OTHER FINANCING SOURCES (USES)</u>								
Face Value of Debt	0	0	0	0	0	0	14,335,000	14,335,000
Premium on Bonds Issued	0	0	0	0	0	0	196,478	196,478
Sale of Capital Assets	79,539	0	0	0	0	0	0	79,539
Transfer In/(Out)	(3,770)	3,770	0	0	0	0	0	0
Total Other Financing Sources (Uses)	75,769	3,770	0	0	0	0	14,531,478	14,611,017
Net Change in Fund Balance	(156,216)	(19,420)	231,569	165,132	108,781	(2,490,304)	14,255,840	12,095,382
<u>FUND BALANCE</u> - Beginning of Year	1,398,931	139,644	1	0	1,998	2,648,545	0	4,189,119
<u>FUND BALANCE</u> - End of Year	\$ 1,242,715	\$ 120,224	\$ 231,570	\$ 165,132	\$ 110,779	\$ 158,241	\$ 14,255,840	\$ 16,284,501

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

CHARLEVOIX PUBLIC SCHOOLS
CHARLEVOIX, 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 \$ 12,095,382

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. Additionally, the gain or loss on sale or disposal of capital assets is reported in the Statement of Activities:

Depreciation Expense	(955,903)
Capital Outlay	2,233,943

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	41,577
Accrued Interest Payable - End of Year	(132,729)

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	1,990,000
Issuance of Debt	(14,335,000)
Bond Premium	(196,478)
Amortization of Bond Premium	17,065

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:

Compensated Absences - Beginning of Year	880,010
Compensated Absences - End of Year	(802,256)

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

CHARLEVOIX PUBLIC SCHOOLS
CHARLEVOIX, 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

Governmental funds report district pension and other postemployment benefit contributions as expenditures. However, in the Statement of Activities, the cost of pension and other postemployment benefits earned net of employee contributions are reported as expenses.

Change in Pension Related Items	(464,890)
Change in Other Postemployment Benefits Related Items	12,482

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 of Pension and Other Postemployment Benefits	<u>11,710</u>
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CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	<u><u>\$ 394,913</u></u>
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The notes to the financial statements are an integral part of this statement.

CHARLEVOIX PUBLIC SCHOOLS
CHARLEVOIX, MICHIGAN

STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUND

JUNE 30, 2018

	<u>PRIVATE PURPOSE TRUST FUNDS</u>	<u>AGENCY FUNDS STUDENT ACTIVITIES</u>
<u>ASSETS</u>		
Cash	\$ 0	\$ 221,947
Due from Other Funds	<u>0</u>	<u>2,166</u>
 TOTAL ASSETS	 0	 224,113
 <u>LIABILITIES</u>		
Due to Groups and Organizations	<u>0</u>	<u>224,113</u>
 <u>NET POSITION</u>	 <u><u>\$ 0</u></u>	 <u><u>\$ 0</u></u>

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

CHARLEVOIX PUBLIC SCHOOLS
CHARLEVOIX, MICHIGAN

STATEMENT OF CHANGES FIDUCIARY NET POSITION
FIDUCIARY FUND

JUNE 30, 2018

	<u>PRIVATE PURPOSE TRUST FUNDS</u>
<u>ADDITIONS</u>	
Sale of Donated Items	\$ 130,000
<u>DEDUCTIONS</u>	
Payments to Not for Profit Entities	<u>130,000</u>
Change in Net Position	<u><u>\$ 0</u></u>

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

CHARLEVOIX PUBLIC SCHOOLS

CHARLEVOIX, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

The School District is located in Charlevoix and Antrim Counties with its administrative offices located in Charlevoix, Michigan. The District operates under an elected 7-member board of education and provides services to its 966 students in elementary, middle school, high school, special education and adult education instruction, guidance, health, transportation, food service, athletics and recreation. 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

CHARLEVOIX PUBLIC SCHOOLS

CHARLEVOIX, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

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 *DEBT SERVICE FUNDS*, including the 2011, 2012, and 2015 debt service funds, accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.

The *CAPITAL PROJECTS FUNDS*, including the 2015 and 2018 capital projects funds account for the acquisition of capital assets or construction of major capital projects.

The *FOOD SERVICE FUND*, a special revenue fund, accounts for revenue sources that are legally restricted to expenditures for specific purposes.

Additionally, the District reports the following fiduciary funds:

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 (student activity funds).

The *PRIVATE PURPOSE TRUST FUND* is accounted for using the accrual method of accounting. Private purpose trust funds account for donations earmarked for transfer of funds to the community foundation's scholarship fund for scholarships available to qualifying students.

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*

CHARLEVOIX PUBLIC SCHOOLS

CHARLEVOIX, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

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

CHARLEVOIX PUBLIC SCHOOLS

CHARLEVOIX, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

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 coordinator of business services 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 below.
- (d) The superintendent is charged with general supervision of the budgets and shall hold 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 19, 2017, or as amended by the School Board of Education throughout the year.

2. *Excess of Expenditures Over Appropriations*

Excess of expenditures over appropriations occurred in the General Fund as follows:

- Supporting Services – Athletic Activities expenditures of \$250,167 exceeded appropriations of \$247,837.
- Custody and Care of Children expenditures of \$83,754 exceeded appropriations of \$79,910.

These overages were funded by available fund balance.

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.

CHARLEVOIX PUBLIC SCHOOLS

CHARLEVOIX, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

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

Inventories are valued at cost using the first-in/first-out method. Inventories in the special revenue funds consisting of expendable supplies held for consumption, are recorded as expenditures when consumed rather than when purchased. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid expenditures.

4. Capital Assets

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

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:

	<u>YEARS</u>
Land Improvements	10-20
Buildings and Improvements	20-50
Vehicles and Buses	5-10
Furniture and Other Equipment	7-10

CHARLEVOIX PUBLIC SCHOOLS

CHARLEVOIX, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

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. *Compensated Absences*

The liability for compensated absences reported in the district-wide statements consists of unpaid, accumulated annual and sick leave balances. The liability has been calculated using the vesting method, in which sick leave amounts for both employees who are currently eligible to receive termination payments and other employees who are expected to become eligible in the future to receive such payments upon termination are included.

7. *Long-Term Obligations*

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

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

8. *Deferred Outflows/Inflows of Resources*

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

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

CHARLEVOIX PUBLIC SCHOOLS

CHARLEVOIX, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

9. *Pension and Other Postemployment Benefits*

For purposes of measuring the net pension and other postemployment benefits 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 (MPERS) and additions to/deductions from MPERS fiduciary net position have been determined on the same basis as they are reported by MPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

10. *Net Position Flow Assumption*

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

11. *Fund Balance Flow Assumption*

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

12. *Fund Balance Policies*

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

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

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

13. Use of Estimates

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

14. Restricted Assets

Certain resources of the 2015 and 2018 Capital Projects Funds that are set aside for capital outlay are classified as restricted cash and investments on the balance sheet because their use is limited by applicable bond covenants.

H. Revenues and Expenditures/Expenses

1. State Revenue

The State of Michigan utilizes a foundation grant approach which provides for a specific annual amount of revenue per pupil based on a statewide formula. The Foundation is funded from state and local sources. Revenues from state sources are primarily governed by the School Aid Act and the School Code of Michigan. The Michigan Department of Education administers the allocation of state funds to school districts based on information supplied by the districts. For the year ended June 30, 2018, the foundation allowance was based on pupil membership counts taken in February of 2017 and October of 2017. For fiscal year ended June 30, 2018, the per pupil foundation allowance was \$8,289 for Charlevoix Public Schools.

The state portion of the foundation is provided primarily by a state education property tax millage of 6 mills and an allocated portion of state sales and other taxes. The local portion of the foundation is funded primarily by non-homestead property taxes, which may be levied at a rate of up to 18 mills. The State revenue is recognized during the foundation period and is funded through payments from October 2017 to August 2018. Thus, the unpaid portion at June 30th is reported as due from other governmental units.

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

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

2. Program Revenues

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

3. Property Taxes

Property taxes levied by the District are collected by various municipalities and periodically remitted to the District. Property taxes are assessed as of January 1 and billed and due July 1. Unpaid taxes become delinquent as of September 14th and are subject to penalties and interest after that date.

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)	17.9532
General Fund - Commercial Personal Property	5.9532
2015 Debt Service Fund - PRE, Non-PRE, and Commercial Personal Property	0.5000
2012 Debt Service Fund - PRE, Non-PRE, and Commercial Personal Property	0.5000
2011 Debt Service Fund - PRE, Non-PRE, and Commercial Personal Property	2.5000

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Violations of Legal or Contractual Provisions

Note 1.F.2, on the Excess of Expenditures over Appropriations, describes a budgetary violation that occurred for the year ended June 30, 2018.

NOTE 3 - DETAILED NOTES ON ALL ACTIVITIES AND FUNDS

A. Deposits and Investments

Custodial Credit Risk – Deposits. In the case of deposits, this is the risk that in the event of a bank failure, the government’s deposits may not be returned to it. As of June 30, 2018, \$596,979 of the government’s bank balance of \$1,537,072 was exposed to custodial credit risk because it was uninsured and uncollateralized. The risk is spread amongst the District’s general, food service, and agency funds. Although the District’s

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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 and investments.

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

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

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

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

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

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

	Fair Value	Weighted Average Maturity (Years)	Standard & Poor's Rating	%
MILAF+ External Investment Pool - MAX Class	\$ 16,869,749	0.0027	AAAm	100.00%

1 Day Maturity Equals 0.0027, One Year Equals 1.000

The District invests certain excess funds in external pooled investment funds which include money market funds. One of the pooled investment funds utilized by the District is the Michigan Investment Liquid Asset Fund Plus (MILAF+). MILAF+ is a local government investment pool of “qualified” investments for Michigan school districts. MILAF+ is not regulated nor is it registered with the SEC. MILAF+ reports as of June 30, 2018, the fair value of the District’s investments is the same as the value of the pooled shares. MILAF, as defined by GASB, is recorded at amortized cost which approximates fair value. The MILAF+ portfolio offers three share classes which are: Cash Management Class, MAX Class, and GovMIC Class. The only

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class that has limitations or restrictions on withdrawals is MAX Class, which requires notification of redemptions prior to 14 days to avoid penalties. The MILAF+ portfolio is not subject to fair value disclosures.

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

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

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

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

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

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

The carrying amount of deposits and investments is as follows:

	<u>Total</u>
Deposits – including Fiduciary Funds of \$221,947	\$ 1,499,058
Investments	<u>16,869,749</u>
	<u>\$ 18,368,807</u>

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

	<u>Total</u>
Cash - Fiduciary Funds	\$ 221,947
Cash - District-Wide	1,118,870
Restricted Cash - District-Wide	158,241
Investments	2,587,014
Restricted Investments	14,282,735
	<u>\$ 18,368,807</u>

B. Receivables

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

	<u>GENERAL FUND</u>	<u>FOOD SERVICE FUND</u>	<u>TOTAL</u>
Receivables			
Accounts	\$ 50,507	\$ 0	\$ 50,507
Due from Other Governments	277,888	6,067	283,955
	<hr/>		
Total Receivables	<u>\$ 328,395</u>	<u>\$ 6,067</u>	<u>\$ 334,462</u>

Amounts due from other governments include amounts due from federal, state, and local sources for various projects and programs. Because of the District's favorable collection experience, no allowance for doubtful accounts has been recorded.

Governmental funds report unavailable revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also report unearned revenue in connection with resources that have been received, but not year earned. At the end of the current fiscal year, the various components of unavailable and unearned revenue reported in the governmental funds were as follows:

	<u>UNAVAILABLE</u>	<u>UNEARNED</u>
Food Service Student Balances	\$ 0	\$ 7,851
Grant Receipts Received, But Not Yet Utilized	0	488,304
	<hr/>	
Total Unavailable/Unearned Revenue for Governmental Funds	<u>\$ 0</u>	<u>\$ 496,155</u>

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C. Capital Assets

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

	Balance July 1, 2017	Additions	Deletions	Balance June 30, 2018
Assets Not Being Depreciated				
Land	\$ 466,745	\$ 0	\$ 0	\$ 466,745
Construction in Progress	899,293	60,857	899,293	60,857
Total Assets Not Being Depreciated	<u>1,366,038</u>	<u>60,857</u>	<u>899,293</u>	<u>527,602</u>
Other Capital Assets				
Land Improvements	1,340,739	166,380	0	1,507,119
Buildings and Improvements	30,160,438	2,799,445	0	32,959,883
Machinery and Equipment	2,384,804	23,076	0	2,407,880
Textbooks and Library Books	83,718	0	0	83,718
Transportation Equipment	1,269,339	83,478	202,668	1,150,149
Subtotal	<u>35,239,038</u>	<u>3,072,379</u>	<u>202,668</u>	<u>38,108,749</u>
Less Accumulated Depreciation				
Land Improvements	491,340	43,335	0	534,675
Buildings and Improvements	11,321,254	687,833	0	12,009,087
Machinery and Equipment	1,578,040	140,127	0	1,718,167
Textbooks and Library Books	83,718	0	0	83,718
Transportation Equipment	878,274	84,608	202,668	760,214
Subtotal	<u>14,352,626</u>	<u>955,903</u>	<u>202,668</u>	<u>15,105,861</u>
Net Other Capital Assets	<u>20,886,412</u>	<u>2,116,476</u>	<u>0</u>	<u>23,002,888</u>
Net Capital Assets	<u>\$ 22,252,450</u>	<u>\$ 2,177,333</u>	<u>\$ 899,293</u>	<u>\$ 23,530,490</u>

Depreciation for the fiscal year ended June 30, 2018, amounted to \$955,903. The District determined that it was impractical to allocate depreciation to the various governmental activities as the assets serve multiple functions.

D. Retirement and Post-Employment Benefits

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

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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:

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

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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.

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Employees who first work on or after September 4, 2012 choose between two retirement plans: the Pension Plus Plan and a 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, which, through 2012, was funded on a cash disbursement basis. Beginning fiscal year 2013, it is funded on a prefunded basis. The System has contracted to provide the comprehensive group medical, prescription drug, dental and vision coverage for retirees and beneficiaries. A subsidized portion of the premium is paid by the System with the balance deducted from the monthly pension of each retiree healthcare recipient. For members who first worked before July 1, 2008, (Basic, MIP-Fixed, and MIP-Graded plan members), the subsidy is the maximum allowed by statute. To limit future liabilities of Other Postemployment Benefits, members who first worked on or after July 1, 2008, (MIP-Plus plan members), have a graded premium subsidy based on career length where they accrue credit towards their insurance premiums in retirement, not to exceed the maximum allowable by statute. Public Act 300 of 2012 sets the maximum subsidy at 80% beginning January 1, 2013; 90% for those Medicare eligible and enrolled in the insurances as of that date.

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

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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 60th birthday and has credited service in each of the last 5 years. For Pension Plus Plan (PPP) members, age 60 with 10 years of credited service.

Annual Amount – 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 postemployment 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:

	<u>Pension</u>	<u>Other Postemployment Benefit</u>
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%

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The District's pension contributions for the year ended June 30, 2018 were equal to the required contribution total. Pension contributions were approximately \$1,620,839.

The District's OPEB contributions for the year ended June 30, 2018 were approximately \$378,838.

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 \$16,852,084 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 .065032% and .063746%.

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

	<u>September 30, 2017</u>	<u>September 30, 2016</u>
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	<u>\$ 25,914,251,115</u>	<u>\$ 24,949,181,770</u>
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 \$1,414,285. This amount excludes contributions funded from state revenue Section 147c restricted to fund the MPSERS Unfunded Actuarial Accrued Liability (UAAL) Stabilization Rate.

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

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 146,456	\$ 82,690
Section 147c revenue related to District Pension contributions subsequent to measurement date	0	671,443
Changes of assumptions	1,846,280	0
Net difference between projected and actual earnings on pension plan investments	0	805,640
Changes in proportion and differences between District contributions and proportionate share of contributions	854,693	36,923
District contributions subsequent to the measurement date	<u>1,494,129</u>	<u>0</u>
Total	<u>\$ 4,341,558</u>	<u>\$ 1,596,696</u>

\$1,494,129 reported as deferred outflows of resources and \$671,443 reported as deferred inflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a 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:

<u>Year Ended September 30,</u>	<u>Amount</u>
2018	\$ 654,551
2019	884,393
2020	384,095
2021	(863)
	<u>\$ 1,922,176</u>

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 \$5,751,662 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

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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 0.064950%.

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

	<u>September 30, 2017</u>	<u>September 30, 2016</u>
Total OPEB Liability	\$ 13,920,945,991	\$ 14,071,279,615
Plan Fiduciary Net Position	5,065,474,948	4,730,719,539
OPEB Liability	<u>\$ 8,855,471,043</u>	<u>\$ 9,340,560,076</u>
Plan Fiduciary Net Position as a Percentage of Total OPEB Liability	36.39%	33.62%
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 \$366,356.

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

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 0	\$ 61,238
Changes of assumptions	0	0
Net difference between projected and actual earnings on OPEB plan investments	0	133,210
Changes in proportion and differences between District contributions and proportionate share of contributions	967	0
District contributions subsequent to the measurement date	354,244	0
Total	<u>\$ 355,211</u>	<u>\$ 194,448</u>

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\$354,244 reported as deferred outflows of related to OPEB resulting from District 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:

<u>Year Ended September 30,</u>	<u>Amount</u>
2018	\$ (46,773)
2019	(46,773)
2020	(46,773)
2021	(46,773)
2022	(6,389)
	<hr/> <hr/>
	\$ (193,481)

G. Actuarial Valuations and Assumptions of the Pension 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.

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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:

<u>Investment Category</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return *</u>
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%
	<u>100%</u>	

*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 be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of

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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:

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%
\$ 21,952,660	\$ 16,852,094	\$ 12,557,724

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%
\$ 6,736,859	\$ 5,751,662	\$ 4,915,539

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JUNE 30, 2018

Sensitivity to 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:

<u>1% Decrease</u> <u>(6.5% decreasing to 2.5%)</u>	<u>Current Healthcare Cost</u> <u>Trend Rates</u> <u>(7.5% decreasing to 3.5%)</u>	<u>1% Increase</u> <u>(8.5% decreasing to 4.5%)</u>
\$ 4,870,885	\$ 5,751,662	\$ 6,751,724

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 plan payments. As of June 30, 2018, the District reported payables in the amount of \$301,753 to the pension and OPEB plan. These amounts represent current payments for June wages paid in July, accruals for summer pay primarily for teachers and also the contributions due funded from state revenue Section 147c restricted to fund the MPSERS Unfunded Actuarial Accrued Liability (UAAL) Stabilization Rate.

J. 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 participates in a distinct pool of education institutions within the State of Michigan for various risks of loss, including general liability, property and casualty, employee health and accident insurance, and workers' disability compensation. The pool is considered a public entity risk pools. The District pays annual premiums to each pool for the respective insurance coverage. In the event a pool's total claims and expenses for a policy year exceed the total normal annual premiums for said years, all members of the specific pool's policy year may be subject to special assessment to make up the deficiency. The District has not been informed of any special assessments being required.

K. Long-Term Liabilities

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

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JUNE 30, 2018

The following is a summary of governmental long-term obligations for the District for the year ended June 30, 2018:

	Compensated Absences	Bonds	Net Pension Liability	Net OPEB Liability	Total
Balance July 1, 2017	\$ 880,010	\$ 9,540,000	\$ 15,904,203	\$ 6,066,729	\$ 32,390,942
Additions	19,506	14,335,000	2,473,184	190,599	17,018,289
Deletions	97,260	1,990,000	1,525,303	505,666	4,118,229
Balance June 30, 2018	802,256	21,885,000	16,852,084	5,751,662	45,291,002
Less current portion	Unknown	2,045,000	Unknown	Unknown	2,045,000
Total due after one year	\$ 802,256	\$ 19,840,000	\$ 16,852,084	\$ 5,751,662	\$ 43,246,002

Debt payable at June 30, 2018, is comprised of the following issues:

Bonds

2011 Refunding Bonds Due in Annual Installments of \$1,530,000 to \$1,565,000
Through May 1, 2020, Interest at 2.65% \$ 3,095,000

2012 School Building and Site Bonds Due in Annual Installments of \$250,000
through May 1, 2019, Interest at 2.00% 250,000

2015 School Building and Site Bonds Due in Annual Installments of \$230,000 to
\$740,000 through May 1, 2025, Interest at 2.00% to 3.00% 4,205,000

2018 School Building and Site Bonds Due in Annual Installments of \$460,000 to
\$905,000 through May 1, 2042, Interest at 3.125% to 4.00% 14,335,000

Other Long Term Debt

Compensated Absences 802,256
Net Pension Liability 16,852,084
Net Other Postemployment Benefits Liability 5,751,662

Total Debt \$ 45,291,002

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The annual requirements to amortize debt outstanding as of June 30, 2018, including interest payments of \$8,200,831 are as follows:

Year Ending June 30,	Principal	Interest	Amounts Payable
2019	\$ 2,045,000	\$ 742,135	\$ 2,787,135
2020	1,960,000	636,821	2,596,821
2021	1,135,000	587,675	1,722,675
2022	1,170,000	556,425	1,726,425
2023	1,200,000	524,206	1,724,206
2024-2028	4,145,000	2,121,869	6,266,869
2029-2033	3,125,000	1,610,406	4,735,406
2034-2038	3,675,000	1,071,894	4,746,894
2039-2042	3,430,000	349,400	3,779,400
	21,885,000	8,200,831	30,085,831
Compensated Absences	802,256	0	802,256
Net Pension Liability	16,852,084	0	16,852,084
Net Other Postemployment Benefits Liability	5,751,662	0	5,751,662
	<u>\$ 45,291,002</u>	<u>\$ 8,200,831</u>	<u>\$ 53,491,833</u>

The annual requirements to amortize the compensated absences, net pension liability, and net other postemployment benefits are uncertain because it is unknown when the employees will use the sick leave or pension benefits.

Compensated absences, the pension liability and the net 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	\$ 5,936
Food Service Fund	3,770	0
Fiduciary Funds - Internal Service Funds	2,166	0
	<u>\$ 5,936</u>	<u>\$ 5,936</u>

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

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NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

M. Interfund Transfers

	TRANSFERS IN	TRANSFERS OUT
General Fund	\$ 0	\$ 3,770
Food Service Fund	3,770	0
	<u>\$ 3,770</u>	<u>\$ 3,770</u>

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

N. Leases

The rental expense for the year ended June 30, 2018, totaled \$19,114.

The rental expense consists of a lease agreement on a building the District leases from the Charlevoix Children's House and leasing of a postage machine. The future minimum lease payments for these leases are as follows:

<u>YEAR ENDING</u>	
2019	<u>\$ 4,065</u>

O. Tax Abatements

The District receives reduced property tax revenues as a result of Industrial Facilities Tax exemptions granted by (cities, villages, and township, etc.) within the District. Industrial Facilities Exemptions are intended to promote construction of new industrial facilities or to rehabilitate historical facilities.

For the fiscal year ended June 30, 2018, (tax year 2017) the District's property tax revenues were reduced by \$47,433 under these programs.

The District is considered to be an "in-formula" district. The taxes abated for the General Fund operating millage are considered by the State of Michigan when determining the District's section 22 funding of the State School Aid Act. The District received \$38,706 from the State of Michigan's determination.

There are no significant abatements made by the District.

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 cost may be questioned as not being appropriate expenditures under the terms of the

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JUNE 30, 2018

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.

Before the end of the year, the District signed construction contracts for the Elementary School project in the 2018 Capital Projects fund. The District entered into a contract totaling \$618,500 with Wolgast Corporation to manage the project. A contract was signed with GMB Architecture and Engineering in the amount of \$910,351 for architecture and engineering work on the Elementary School. The District also signed a contract with Dore & Associates for demolition of the existing building at a cost of \$228,684. In total, the estimated cost of the new Elementary School is \$14,335,000. The District has also committed to purchasing \$198,960 of computer equipment from Apple in the 2018-19 fiscal year.

2. Capital Projects Funds

The 2015 and 2018 Capital Projects Funds include capital project activities funded with bonds issued after May 1, 1994. For these capital projects, the school district has complied with the applicable provisions of §1351a of the Revised School Code.

Q. New Accounting Standards

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

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	\$ 2,437,567
Adoption of GASB Statement 75:	
Net Other Postemployment Benefit Liability	(6,066,729)
Deferred outflows related to Other Postemployment Benefits	463,348
Deferred inflows related to Other Postemployment Benefits	<u>(185,271)</u>
Net Position - Governmental Activities - Restated as of June 30, 2017	<u>\$ (3,351,085)</u>

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R. Upcoming Accounting Pronouncements

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

Governmental Accounting Standards Board (GASB) Statement No. 84 – *Fiduciary Activities*

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.

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REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE

YEAR ENDED JUNE 30, 2018

	<u>GENERAL FUND</u>			<u>FOOD SERVICE FUND</u>		
	<u>ORIGINAL</u>	<u>FINAL</u>	<u>ACTUAL</u>	<u>ORIGINAL</u>	<u>FINAL</u>	<u>ACTUAL</u>
	<u>BUDGET</u>	<u>BUDGET</u>		<u>BUDGET</u>	<u>BUDGET</u>	
<u>REVENUES</u>						
Local Sources	\$ 8,103,426	\$ 8,047,403	\$ 8,043,521	\$ 151,933	\$ 140,339	\$ 137,685
Non-Educational Sources	30,200	45,400	43,798	0	0	0
State Sources	1,638,687	1,959,917	1,959,994	33,019	35,481	35,481
Federal Sources	296,593	309,225	311,434	226,489	226,306	220,808
Other Transactions	572,358	508,935	471,930	0	0	0
Total Revenues	10,641,264	10,870,880	10,830,677	411,441	402,126	393,974
<u>EXPENDITURES</u>						
Instruction						
Basic Programs	5,234,487	5,775,965	5,735,878	0	0	0
Added Needs	1,642,143	1,614,543	1,591,491	0	0	0
Supporting Services						
Pupil	384,440	417,521	407,176	0	0	0
Instructional Staff	383,254	325,291	310,999	0	0	0
General Administration	293,187	303,036	296,893	0	0	0
School Administration	571,438	606,929	597,870	0	0	0
Business	161,030	154,160	154,141	0	0	0
Operation and Maintenance	1,072,173	1,101,408	1,076,864	0	0	0
Pupil Transportation Services	367,882	357,445	345,074	0	0	0
Central Services	175,772	147,010	144,491	0	0	0
Athletic Activities	278,174	247,837	250,167	0	0	0
Food Service Activities	0	0	0	380,428	426,283	417,164
Community Services	2,500	1,116	1,015	0	0	0
Community Activities	4,974	4,430	4,430	0	0	0
Custody and Care of Children	66,127	79,910	83,754	0	0	0
Non-Public School Pupils	64,060	63,074	62,419	0	0	0
Total Expenditures	10,701,641	11,199,675	11,062,662	380,428	426,283	417,164
Excess (Deficiency) of Revenues Over (Under) Expenditures	(60,377)	(328,795)	(231,985)	31,013	(24,157)	(23,190)
<u>OTHER FINANCING SOURCES (USES)</u>						
Sale of Capital Assets	0	79,539	79,539	0	0	0
Transfer In/(Out)	(3,540)	(3,540)	(3,770)	3,110	3,450	3,770
Total Other Financing Sources (Uses)	(3,540)	75,999	75,769	3,110	3,450	3,770
Net Change in Fund Balance	(63,917)	(252,796)	(156,216)	34,123	(20,707)	(19,420)
<u>FUND BALANCE</u> - Beginning of Year	1,306,476	1,354,484	1,398,931	52,800	139,680	139,644
<u>FUND BALANCE</u> - End of Year	\$ 1,242,559	\$ 1,101,688	\$ 1,242,715	\$ 86,923	\$ 118,973	\$ 120,224

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

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
District's proportion of net pension liability (%)							0.06503%	0.06375%	0.06159%	0.05782%
District's proportionate share of net pension liability						\$ 16,852,084	\$ 15,904,203	\$ 15,043,953	\$ 12,735,198	
District's covered payroll							5,432,449	5,443,900	5,116,708	4,891,860
District's proportionate share of net pension liability as a percentage of its covered payroll							310.21%	292.15%	294.02%	260.33%
Plan fiduciary net position as a percentage of total pension liability							64.21%	63.27%	63.17%	66.20%

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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							\$ 1,620,839	\$ 1,521,097	\$ 1,188,197	\$ 1,169,414
Contributions in relation to statutorily required contributions *							1,620,839	1,521,097	1,188,197	1,169,414
Contribution deficiency (excess)							\$ 0	\$ 0	\$ 0	\$ 0
Covered Payroll							\$ 5,270,607	\$ 5,417,822	\$ 5,171,381	\$ 5,111,035
Contributions as a percentage of covered payroll							30.75%	28.08%	22.98%	22.88%

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

CHARLEVOIX PUBLIC SCHOOLS
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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 (%)										0.06495038%
District's proportionate share of net OPEB liability									\$	5,751,662
District's covered payroll										5,432,449
District's proportionate share of net OPEB liability as a percentage of its covered payroll										105.88%
Plan fiduciary net position as a percentage of total OPEB liability										36.39%

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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										\$ 378,838
Contributions in relation to statutorily required contributions *										378,838
Contribution deficiency (excess)										\$ 0
Covered payroll										\$ 5,270,607
Contributions as a percentage of covered payroll										7.19%

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

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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 benefit assumptions for the plan year ended September 30, 2017.

CHARLEVOIX PUBLIC SCHOOLS
CHARLEVOIX, MICHIGAN

SCHEDULE OF BONDS PAYABLE

JUNE 30, 2018

<u>TITLE OF ISSUE</u>	2011 Refunding Bonds		
<u>PURPOSE</u>	The Bonds are being issued for the purpose of advance refunding a portion of the District's outstanding 1999 School Building and Site Bonds dated December 1, 1999, which are due and payable May 1, 2010, through May 1, 2017, inclusive and May 1, 2020.		
<u>DATE OF ISSUE</u>	August 8, 2011		
<u>INTEREST PAYABLE</u>	May 1 and November 1 of Each Year		
<u>AMOUNT OF ISSUE</u>			\$ 14,725,000
<u>AMOUNT REDEEMED</u>			
Current Year		\$ 1,600,000	
Prior Years		<u>10,030,000</u>	<u>11,630,000</u>
<u>BALANCE OUTSTANDING</u>	June 30, 2018		<u>\$ 3,095,000</u>
<u>DUE DATES</u>	<u>INTEREST RATES</u>	<u>REQUIREMENTS</u>	
		<u>TOTAL</u>	<u>INTEREST</u>
		<u>PRINCIPAL</u>	
November 1, 2018		\$ 41,009	\$ 41,009
May 1, 2019	2.65%	1,606,009	41,009
November 1, 2019		20,273	20,273
May 1, 2020	2.65%	1,550,273	20,273
		<u>\$ 3,217,564</u>	<u>\$ 122,564</u>
			<u>\$ 3,095,000</u>

CHARLEVOIX PUBLIC SCHOOLS
CHARLEVOIX, MICHIGAN

SCHEDULE OF BONDS PAYABLE

JUNE 30, 2018

<u>TITLE OF ISSUE</u>	2012 School Building and Site Bonds		
<u>PURPOSE</u>	The Bonds are being issued for the purpose of partially remodeling, refurbishing and re-equipping the District's buildings, including educational technology improvements; constructing and equipping a bus maintenance facility; acquiring school buses and developing and improving sites.		
<u>DATE OF ISSUE</u>	May 10, 2012		
<u>INTEREST PAYABLE</u>	May 1 and November 1 of Each Year		
<u>AMOUNT OF ISSUE</u>			\$ 1,000,000
<u>AMOUNT REDEEMED</u>			
Current Year		\$ 225,000	
Prior Years		<u>525,000</u>	<u>750,000</u>
<u>BALANCE OUTSTANDING</u>	June 30, 2018		<u><u>\$ 250,000</u></u>

<u>DUE DATES</u>	<u>INTEREST RATES</u>	<u>REQUIREMENTS</u>		
		<u>TOTAL</u>	<u>INTEREST</u>	<u>PRINCIPAL</u>
November 1, 2018		\$ 2,500	\$ 2,500	
May 1, 2019	2.00%	<u>252,500</u>	<u>2,500</u>	<u>\$ 250,000</u>
		<u><u>\$ 255,000</u></u>	<u><u>\$ 5,000</u></u>	<u><u>\$ 250,000</u></u>

CHARLEVOIX PUBLIC SCHOOLS
CHARLEVOIX, MICHIGAN

SCHEDULE OF BONDS PAYABLE

JUNE 30, 2018

<u>TITLE OF ISSUE</u>	2015 School Building and Site Bonds		
<u>PURPOSE</u>	The Bonds are being issued for the purpose of partially remodeling, refurbishing and re-equipping the District's buildings, including educational technology improvements; constructing and equipping a bus maintenance facility; acquiring school buses and developing and improving sites.		
<u>DATE OF ISSUE</u>	June 25, 2015		
<u>INTEREST PAYABLE</u>	May 1 and November 1 of Each Year		
<u>AMOUNT OF ISSUE</u>			\$ 4,500,000
<u>AMOUNT REDEEMED</u>			
Current Year		\$ 165,000	
Prior Years		<u>130,000</u>	<u>295,000</u>
<u>BALANCE OUTSTANDING</u>	June 30, 2018		<u>\$ 4,205,000</u>

<u>DUE DATES</u>	<u>INTEREST RATES</u>	<u>REQUIREMENTS</u>		
		<u>TOTAL</u>	<u>INTEREST</u>	<u>PRINCIPAL</u>
November 1, 2018		\$ 56,350	\$ 56,350	
May 1, 2019	2.00%	286,350	56,350	\$ 230,000
November 1, 2019		54,050	54,050	
May 1, 2020	2.00%	484,050	54,050	430,000
November 1, 2020		49,750	49,750	
May 1, 2021	2.50%	724,750	49,750	675,000
November 1, 2021		41,312	41,312	
May 1, 2022	2.50%	736,313	41,313	695,000
November 1, 2022		32,625	32,625	
May 1, 2023	3.00%	742,625	32,625	710,000
November 1, 2023		21,975	21,975	
May 1, 2024	3.00%	746,975	21,975	725,000
November 1, 2024		11,100	11,100	
May 1, 2025	3.00%	751,100	11,100	740,000
		<u>\$ 4,739,325</u>	<u>\$ 534,325</u>	<u>\$ 4,205,000</u>

CHARLEVOIX PUBLIC SCHOOLS
CHARLEVOIX, MICHIGAN

SCHEDULE OF BONDS PAYABLE

JUNE 30, 2018

<u>TITLE OF ISSUE</u>	2018 School Building and Site Bonds		
<u>PURPOSE</u>	The Bonds are being issued for the purpose of erecting additions to, remodel, furnish and refurnish, equip and re-equip elementary school buildings; acquiring and installing instructional technology and instructional technology equipment for an elementary school building and developing and improving playgrounds, play fields, parking areas driveways and sites.		
<u>DATE OF ISSUE</u>	March 21, 2018		
<u>INTEREST PAYABLE</u>	May 1 and November 1 of Each Year		
<u>AMOUNT OF ISSUE</u>			\$ 14,335,000
<u>AMOUNT REDEEMED</u>			
Current Year		\$ 0	
Prior Years		<u>0</u>	<u>0</u>
<u>BALANCE OUTSTANDING</u>	June 30, 2018		<u>\$ 14,335,000</u>

<u>DUE DATES</u>	<u>INTEREST RATES</u>	<u>REQUIREMENTS</u>		
		<u>TOTAL</u>	<u>INTEREST</u>	<u>PRINCIPAL</u>
November 1, 2018		\$ 298,329	\$ 298,329	
May 1, 2019	3.125%	244,088	244,088	
November 1, 2019		244,087	244,087	
May 1, 2020	3.125%	244,088	244,088	
November 1, 2020		244,087	244,087	
May 1, 2021	3.125%	704,088	244,088	\$ 460,000
November 1, 2021		236,900	236,900	
May 1, 2022	3.125%	711,900	236,900	475,000
November 1, 2022		229,478	229,478	
May 1, 2023	3.125%	719,478	229,478	490,000
November 1, 2023		221,822	221,822	
May 1, 2024	3.125%	726,822	221,822	505,000
November 1, 2024		213,931	213,931	
May 1, 2025	3.125%	733,931	213,931	520,000
November 1, 2025		205,806	205,806	
May 1, 2026	3.125%	740,807	205,807	535,000
November 1, 2026		197,447	197,447	
May 1, 2027	3.125%	747,447	197,447	550,000
November 1, 2027		188,853	188,853	

CHARLEVOIX PUBLIC SCHOOLS
CHARLEVOIX, MICHIGAN

SCHEDULE OF BONDS PAYABLE

JUNE 30, 2018

<u>DUE DATES</u>	<u>INTEREST RATES</u>	<u>REQUIREMENTS</u>		
		<u>TOTAL</u>	<u>INTEREST</u>	<u>PRINCIPAL</u>
May 1, 2028	3.125%	758,853	188,853	570,000
November 1, 2028		179,947	179,947	
May 1, 2029	3.125%	764,947	179,947	585,000
November 1, 2029		170,806	170,806	
May 1, 2030	3.125%	775,806	170,806	605,000
November 1, 2030		161,353	161,353	
May 1, 2031	3.125%	786,353	161,353	625,000
November 1, 2031		151,588	151,588	
May 1, 2032	3.125%	796,588	151,588	645,000
November 1, 2032		141,509	141,509	
May 1, 2033	3.250%	806,509	141,509	665,000
November 1, 2033		130,703	130,703	
May 1, 2034	3.250%	820,703	130,703	690,000
November 1, 2034		119,491	119,491	
May 1, 2035	3.250%	829,491	119,491	710,000
November 1, 2035		107,953	107,953	
May 1, 2036	3.375%	842,953	107,953	735,000
November 1, 2036		95,550	95,550	
May 1, 2037	3.500%	855,550	95,550	760,000
November 1, 2037		82,250	82,250	
May 1, 2038	3.500%	862,250	82,250	780,000
November 1, 2038		68,600	68,600	
May 1, 2039	4.000%	878,600	68,600	810,000
November 1, 2039		52,400	52,400	
May 1, 2040	4.000%	892,400	52,400	840,000
November 1, 2040		35,600	35,600	
May 1, 2041	4.000%	910,600	35,600	875,000
November 1, 2041		18,100	18,100	
May 1, 2042	4.000%	923,100	18,100	905,000
		<u>\$ 21,873,942</u>	<u>\$ 7,538,942</u>	<u>\$ 14,335,000</u>

