

**Alma Public Schools
Alma, Michigan**

Financial Statements

June 30, 2017



Table of Contents

Section		Page
1	Members of the Board of Education and Administration	1 - 1
2	Independent Auditors' Report	2 - 1
3	Management's Discussion and Analysis	3 - 1
4	Basic Financial Statements	
	District-wide Financial Statements	
	Statement of Net Position	4 - 1
	Statement of Activities	4 - 3
	Fund Financial Statements	
	Governmental Funds	
	Balance Sheet	4 - 4
	Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position	4 - 6
	Statement of Revenues, Expenditures and Changes in Fund Balances	4 - 7
	Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	4 - 9
	Internal Service Fund	
	Statement of Net Position	4 - 10
	Statement of Revenues, Expenses and Changes in Fund Net Position	4 - 11
	Statement of Cash Flows	4 - 12
	Fiduciary Funds	
	Statement of Fiduciary Net Position	4 - 13
	Statement of Changes in Fiduciary Net Position	4 - 14
	Notes to the Financial Statements	4 - 15

5 **Required Supplementary Information**

Budgetary Comparison Schedule – General Fund	5 - 1
Schedule of the School District's Proportionate Share of the Net Pension Liability	5 - 3
Schedule of the School District's Contributions	5 - 4

6 **Other Supplementary Information**

Nonmajor Governmental Funds	
Combining Balance Sheet	6 - 1
Combining Statement of Revenues, Expenditures and Changes in Fund Balance	6 - 2
General Fund	
Comparative Balance Sheet	6 - 3
Schedule of Outstanding Bonded Indebtedness	6 - 4

Alma Public Schools
Members of the Board of Education and Administration
June 30, 2017

Members of the Board of Education

Art McClintic, President

Mark Smoker, Vice President

Mike Bishop, Treasurer

David Justin, Secretary

Justin Barnaby, Trustee

Kendra Overla, Trustee

Eric Sanko, Trustee

Administration

Donalynn Ingersoll, Interim Superintendent

Mark Jacobs, Director of Finance



800.968.0010 | yeoandyeo.com

Independent Auditors' Report

Management and the Board of Education
Alma Public Schools
Alma, Michigan

Report on the Financial Statement

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Alma Public Schools, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the School 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.

Auditors' Responsibility

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

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

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

Opinions

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

Other Matters:

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, schedule of the school district's proportionate share of the net pension liability, and schedule of the school district's contributions, as identified in the table of contents, 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 Alma Public Schools' basic financial statements. The other supplementary information, as identified in the table of contents, is presented for the purpose of additional analysis and is not a required part of the basic financial statements.

The other supplementary information, as identified in the table of contents, is the responsibility of management and, other than the prior year information, was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, other than the prior year information, the other supplementary information, as identified in the table of contents, is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Prior Year Supplementary Information

We also have previously audited, in accordance with auditing standards generally accepted in the United States, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, Alma Public Schools' basic financial statements as of and for the year ended June 30, 2016, which are not presented with the accompanying basic financial statements. In our report dated September 23, 2016, we expressed unmodified opinions on the respective basic financial statements of the governmental activities, each major fund, and the aggregate remaining fund information. That audit was conducted for the purpose of forming opinions on the basic financial statements that collectively comprise Alma Public Schools' basic financial statements as a whole. The 2016 information in the comparative supplementary schedule is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the 2016 basic financial statements. The information has been subjected to the auditing procedures applied in the audit of those basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the 2016 information in the comparative supplementary schedule is fairly stated in all material respects in relation to the basic financial statements from which they have been derived.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 18, 2017 on our consideration of Alma Public Schools' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Alma Public Schools' internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Alma Public Schools' internal control over financial reporting and compliance.

Yeo & Yeo, P.C.

Alma, Michigan
September 18, 2017

MANAGEMENT'S DISCUSSION AND ANALYSIS

Alma Public School District
Management's Discussion and Analysis
June 30, 2017

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

Using this Annual Report

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand Alma Public School District financially as a whole. The *Government-wide Financial Statements* provide information about the activities of the whole School District, presenting both an aggregate view of the School District's finances and a longer-term view of those finances. The fund financial statements provide the next level of detail. For governmental activities, these statements tell how services were financed in the short term as well as what remains for future spending. The fund financial statements look at the School District's operations in more detail than the government-wide financial statements by providing information about the School District's most significant fund – the General Fund with all other funds presented in one column as non-major funds. The remaining statements, the internal service fund, accounts for the activities of the district's partially self-insured health plan and the statement of fiduciary net position, presents financial information about activities for which the School District acts solely as an agent for the benefit of students and parents. The annual report is arranged as follows:

Management's Discussion and Analysis (MD&A)
(Required Supplemental Information)

Basic Financial Statements

District-wide Financial Statements Fund Financial Statements

Notes to the Basic Financial Statements

(Required Supplemental Information)
Budgetary Information for General Fund
Proportionate Share of the Net Pension Liability
School District's Contributions

Other Supplementary Information

Reporting the School District as a Whole – Government-wide Financial Statements

The statement of net position and the statement of activities, which appear first in the School District's financial statements, report information about the School District as a whole using the accrual basis of accounting, which is similar to the accounting used by most private sector companies. The statement of net position includes all of the School District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

Alma Public School District
Management's Discussion and Analysis
June 30, 2017

These two statements report the School District's net position and how it has changed. Net position – the difference between assets, deferred outflows of resources and liabilities and deferred inflows of resources, as reported in the statement of net position – is one way to measure the School District's financial health, or position. Over time, increases or decreases in the School District's net position – as reported in the statement of activities – are indicators of whether its financial health is improving or deteriorating. The relationship between revenues and expenses is the School District's operating results. However, the School District's goal is to provide services to our students, not to generate profits as commercial entities do. One must consider many other non-financial factors, such as the quality of the education provided and the safety of the schools to assess the overall health of the School District.

The statement of net position and statement of activities report the governmental activities for the School District, which encompass all of the School District's services, including instruction, support services, community services, athletics, and food services. Property taxes, unrestricted State aid (foundation allowance revenue), and State and federal grants finance most of these activities.

Reporting the School District's Most Significant Funds – Fund Financial Statements

The School District's fund financial statements provide detailed information about the most significant funds – not the School District as a whole. Some funds are required to be established by State law and by bond covenants. However, the School District establishes other funds to help it control and manage money for particular purposes (the Food Service Fund for example) or to show that it's meeting legal responsibilities for using certain taxes, grants, and other money (such as bond-funded construction funds used for voter-approved capital projects). The governmental funds of the School District use the following accounting approach:

Governmental funds – All of the School District's services are reported in governmental funds. Governmental fund reporting focuses on showing how money flows into and out of funds and the balances left at year end that are available for spending. They are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the operations of the School District and the services it provides.

Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the School District's programs. We describe the relationship (or differences) between governmental activities (reported in the statement of net position and the statement of activities) and governmental funds in a reconciliation.

The School District as Trustee – Reporting the School District's Fiduciary Responsibilities

The School District is the trustee, or fiduciary, for its student activity funds. All of the School District's fiduciary activities are reported in separate statements of fiduciary net position. We exclude these activities from the School District's other financial statements because the School District cannot use these assets to finance its operations. The School District is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

Alma Public School District
Management's Discussion and Analysis
June 30, 2017

The School District as a Whole

Net Position

The district's combined net position is reflected in Table 1. The change in total net position is discussed in conjunction with Table 2.

TABLE 1

	2017	2016
Assets and Deferred Outflows of Resources		
Current and other assets	\$ 16,393,000	\$ 7,352,000
Property and equipment	36,117,000	36,261,000
Deferred outflows of resources – pension	4,377,000	3,906,000
Deferred outflows of resources – debt	850,000	900,000
Total assets and deferred outflows of resources	57,737,000	48,419,000
Liabilities and Deferred Inflows of Resources		
Current liabilities	5,392,000	7,462,000
Long-term liabilities	34,360,000	24,403,000
Net pension liability	30,646,000	31,082,000
Deferred inflows of resources - pension	1,847,000	900,000
Total liabilities and deferred inflows of resources	72,245,000	63,847,000
Net Position		
Net investment in capital assets	12,263,000	12,055,000
Restricted	38,000	53,000
Unrestricted (deficit)	(26,809,000)	(27,537,000)
Total net position	(\$14,508,000)	(\$15,429,000)

The School District's net position was a deficit of (\$14,508,000) at June 30, 2017. This deficit is the result of recording our proportionate share of the State's overall unfunded pension liability as required by the Governmental Accounting Standards Board (GASB) Statement No. 68 *Accounting and financial Reporting for Pensions*, and Statement No. 71 *Pension Transition for Contributions Made Subsequent to the Measurement Date*.

Had we not recorded the amounts related to the net pension liability, our net position would have actually increased by \$961,000 to \$13,608,000.

Alma Public School District
Management's Discussion and Analysis
June 30, 2017

Net investment in capital assets of \$12,263,000 compares the original cost, less depreciation of the School District's capital assets to long-term debt used to finance the acquisition of those assets. Most of the debt will be repaid from voter-approved property taxes collected as the debt service comes due. Restricted net position is reported separately to show legal constraints from donors or enabling legislation that limit the School District's ability to use those assets for day-to-day operations. The remaining amount of net position, a (\$26,809,000) deficit, was unrestricted.

The (\$26,809,000) in unrestricted net position of governmental activities represents the *accumulated* results of all past years' operations. Our portion of the unfunded pension liability will be paid off over a number of years similar to a mortgage through elevated plan contributions from district revenues. The operating results of the General Fund will have a significant impact on the change in unrestricted net position from year to year.

The results of this year's operations for the School District as a whole are reported in the statement of activities (see Table 2), which shows the changes in net position for fiscal year 2017.

TABLE 2

	2017	2016
Revenue		
Program revenue:		
Charges for services	\$953,000	\$991,000
Operating grants and contributions	6,040,000	5,833,000
Capital grants and contributions	-0-	-0-
General revenue:		
Property taxes	4,229,000	4,240,000
State foundation allowance	13,559,000	13,242,000
Other	72,000	14,000
Total revenue	24,853,000	24,320,000
Functions/Professional Expenses		
Instruction	14,063,000	14,720,000
Support services	7,674,000	7,758,000
Food services	903,000	941,000
Community services	72,000	95,000
Interest on long-term debt	1,220,000	960,000
Total expenses	23,932,000	24,474,000
Change in Net Position	\$921,000	(\$154,000)

Alma Public School District
Management's Discussion and Analysis
June 30, 2017

Revenues for the district's governmental activities increased 2.2 % while total expenses decreased (2.2 %)

The School District experienced an increase in net position for the year of \$921,000. This was in contrast to a prior year decrease of (\$154,000). The significant reason for this change was an increase in operating grants, and in State Foundation allowance due to funding increases, and a decrease in instructional expense due to severance payouts to teachers and administrators in the prior year.

Since property taxes for operations and unrestricted State aid constitute the vast majority of School District operating revenue sources, the Board of Education and Administration must annually evaluate the needs of the School District and balance those needs with State-prescribed available unrestricted resources.

The School District's Funds

As we noted earlier, the School District uses funds to help it control and manage money for particular purposes. Looking at funds helps the reader consider whether the School District is being accountable for the resources taxpayers and others provide and may provide more insight into the School District's overall financial health.

As the School District completed this year, the governmental funds reported a combined fund balance of \$11,602,000, which was an increase of \$9,404,000 from last year. \$8,741,000 of this increase was unspent bond proceeds restricted for capital improvements.

In the General Fund, our principal operating fund, the fund balance increased \$677,000 to \$2,755,000. The unassigned portion of the fund balance increased \$570,000 to \$2,457,000, or approximately 12.1% of budgeted expenses.

The General Fund balance is available to fund costs related to allowable school operating purposes.

Our Special Revenue Fund, fund balance, increased by \$4,000 to \$7,000 at year end. The increase was due to increases in federal food reimbursements and lower food costs.

The Debt Service Funds fund balance decreased (\$17,000) to an amount of \$99,000. Millage rates are determined annually to ensure that the School District accumulates sufficient resources to pay annual bond issue-related debt service. Debt Service Fund balances are restricted since they can only be used to pay debt service obligations. Millage rates were set at 7.0 mills for the current year to fund debt service on the 2014 and 2012 Refunding Bonds and the 2010 Qualified School Construction Bonds.

General Fund Budgetary Highlights

Over the course of the year, the School District revises its budget as it attempts to deal with unexpected changes in revenues and expenditures. State law requires that the budget be amended to ensure that expenditures do not exceed appropriations. The final amendment to the budget was actually adopted just before year-end. (A schedule showing the School District's original and final budget amounts compared with amounts actually paid and received is provided in required supplementary information of these financial statements).

**Alma Public School District
Management's Discussion and Analysis
June 30, 2017**

Changes to the General Fund original budget were as follows:

Budgeted revenues increased \$415,000 which is a 2.0% increase compared to the original budget. The net increase was mostly due to an increase in expected pupil enrollment and additional state grant funding.

Budgeted expenditures increased \$787,000 which is a 3.9% increase compared to the original budget. The net increase was due to additional State grant expenditures approved during the year, employee contract settlements, and additional capital improvement projects.

Actual revenues were (\$35,000) less than the final budgeted amounts, which is a (0.2%) decrease over the final budgeted amount. This decrease was mostly from federal and state grants not spent which are carried forward to 2017-18. The overall difference was not significant.

Actual expenditures were (\$509,000) less than the final budgeted amounts, which is a (2.4%) decrease over the final budgeted amount. This decrease was attributable to federal and state grants budgeted but not spent, a capital project not completed by year end, and an effort to control expenditures during the school year in all departments.

Capital Assets and Debt Administration

Capital Assets

At June 30, 2017, the School District had \$36,117,000 invested in a broad range of capital assets, including land, buildings, and furniture and equipment. This amount represents a net decrease (including additions, deductions, and depreciation) of approximately (\$144,000), or (0.4%), from last year.

	2017	2016
Assets not being depreciated – Land	\$723,000	\$723,000
Construction in progress	882,000	-0-
Building and building improvements	52,560,000	52,509,000
Furniture and equipment	7,646,000	7,804,000
Buses and other vehicles	1,455,000	1,503,000
Total capital assets	63,266,000	62,539,000
Less accumulated depreciation	(27,149,000)	(26,278,000)
Net capital assets	\$36,117,000	\$36,261,000

This year's additions of \$1,233,000 included two new buses and construction in progress related to the 2017 bond issue. The other additions included equipment, technology, furniture and renovations funded from general revenues.

**Alma Public School District
Management's Discussion and Analysis
June 30, 2017**

Debt

At the end of this year the School District's General Obligation Bonds outstanding increased \$8,270,000 due to the sale of 2017 building and site bonds and scheduled principal payments.

	2017	2016
2017 Building & Site Bonds	\$9,820,000	\$ -0-
2014 Refunding Bonds	7,585,000	7,605,000
2010 Qualified School Construction Bonds	6,390,000	7,025,000
2012 Refunding Bonds	7,155,000	8,050,000
	\$30,950,000	\$22,680,000

Other obligations include other bonds and contracts payable as well as accrued compensated absences. We present more detailed information about our long-term liabilities in the notes to the financial statements.

Economic Factors and Next Year's Budgets and Rates

Our elected officials and administration consider many factors when setting the School District's 2018 fiscal year budget. One of the most important factors affecting the budget is our student count. The State foundation revenue is determined by multiplying the blended student count by the foundation allowance per pupil. The blended count for the 2018 fiscal year is 90 percent and 10 percent of the October 2017 and February 2017 student counts, respectively. The 2018 budget was adopted in June 2017, based on an estimate of students that will be enrolled in October 2017. Approximately 67 percent of total General Fund revenue is from the foundation allowance. Under State law, the School District cannot assess additional property tax revenue for general operations. As a result, School District funding is heavily dependent on the State's ability to fund local school operations. Based on early enrollment data at the start of the 2018 school year, we anticipate that the fall student count will be slightly higher than the estimates used in creating the 2018 budget. Once the final student count and related per pupil funding is validated, State law requires the School District to amend the budget if actual School District resources are not sufficient to fund original appropriations.

Since the School District's revenue is heavily dependent on State funding and the health of the State's School Aid Fund, the actual revenue received depends on the State's ability to collect revenues to fund its appropriation to school districts. The State periodically holds a revenue-estimating conference to estimate revenues to adjust current year appropriations and to set future years budgets.

Contacting the School District's Financial Management

This financial report is designed to provide the School District's citizens, taxpayers, customers, investors, and creditors with a general overview of the School District's finances and to demonstrate the School District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Business Department at 1500 North Pine Avenue, Alma, Michigan 48801.

BASIC FINANCIAL STATEMENTS

Alma Public Schools
Statement of Net Position
June 30, 2017

	<u>Governmental Activities</u>
Assets	
Cash and cash equivalents	\$ 12,188,827
Accounts receivable	9,329
Interest receivable	17,812
Due from other governmental units	4,003,735
Inventory	41,203
Prepaid items	131,948
Capital assets not being depreciated	1,604,609
Capital assets - net of accumulated depreciation	<u>34,512,467</u>
 Total assets	 <u>52,509,930</u>
Deferred Outflows of Resources	
Deferred amount relating to net pension liability	4,377,029
Deferred amount on debt refunding	<u>850,057</u>
 Total deferred outflows of resources	 <u>5,227,086</u>
 Total assets and deferred outflows of resources	 <u>57,737,016</u>

See Accompanying Notes to the Financial Statements

Alma Public Schools
Statement of Net Position
June 30, 2017

	Governmental Activities
Liabilities	
Accounts payable	\$ 722,746
State aid anticipation note payable	1,800,000
Due to other governmental units	106,488
Payroll deductions and withholdings	805
Accrued expenditures	1,532,248
Incurred but not reported claims (IBNR)	56,000
Accrued salaries payable	1,044,318
Unearned revenue	128,365
Noncurrent liabilities	
Net pension liability	30,646,362
Debt due within one year	1,655,000
Debt due in more than one year	32,705,414
	70,397,746
Total liabilities	
Deferred Inflows of Resources	
Deferred amount relating to net pension liability	1,846,965
	72,244,711
Total liabilities and deferred inflows of resources	
Net Position	
Net investment in capital assets	12,263,277
Restricted for	
Special purposes	37,715
Unrestricted (deficit)	(26,808,687)
	\$ (14,507,695)
Total net position	

See Accompanying Notes to the Financial Statements

Alma Public Schools
Statement of Activities
For the Year Ended June 30, 2017

	Program Revenues			Net (Expense) Revenue and Changes in Net Position	
	Expenses	Charges for Services	Operating Grants and Contributions		Capital Grants and Contributions
Functions/Programs					
Governmental activities					
Instruction	\$ 14,063,188	\$ 592,769	\$ 4,847,082	\$ -	\$ (8,623,337)
Supporting services	7,673,989	164,085	463,579	-	(7,046,325)
Food services	902,667	175,080	723,232	-	(4,355)
Community services	71,830	21,460	6,276	-	(44,094)
Interest on long-term debt	1,220,387	-	-	-	(1,220,387)
	<u>\$ 23,932,061</u>	<u>\$ 953,394</u>	<u>\$ 6,040,169</u>	<u>\$ -</u>	<u>(16,938,498)</u>
General revenues					
Property taxes, levied for general purposes					1,952,125
Property taxes, levied for debt service					2,277,048
State aid - unrestricted					13,559,011
Interest and investment earnings					53,486
Gain on sale of capital assets					9,990
Other					7,921
					<u>17,859,581</u>
Change in net position					921,083
Net position - beginning					<u>(15,428,778)</u>
Net position - ending					<u>\$ (14,507,695)</u>

See Accompanying Notes to the Financial Statements

Alma Public Schools
Governmental Funds
Balance Sheet
June 30, 2017

	General Fund	2017 Capital Projects	Nonmajor Governmental Funds	Total Governmental Funds
Assets				
Cash and cash equivalents	\$ 2,670,411	\$ 9,075,157	\$ 112,756	\$ 11,858,324
Accounts receivable	7,450	-	1,879	9,329
Due from other funds	10,540	-	-	10,540
Due from other governmental units	4,003,735	-	-	4,003,735
Interest receivable	-	17,812	-	17,812
Inventory	31,680	-	9,523	41,203
Prepaid items	128,573	-	3,375	131,948
	<u>6,852,389</u>	<u>9,092,969</u>	<u>127,533</u>	<u>16,072,891</u>
Total assets	<u>\$ 6,852,389</u>	<u>\$ 9,092,969</u>	<u>\$ 127,533</u>	<u>\$ 16,072,891</u>
Liabilities				
Accounts payable	\$ 220,291	\$ 351,995	\$ 679	\$ 572,965
State aid anticipation note payable	1,800,000	-	-	1,800,000
Due to other funds	190,420	-	10,540	200,960
Due to other governmental units	106,488	-	-	106,488
Payroll deductions and withholdings	805	-	-	805
Accrued expenditures	616,681	-	-	616,681
Accrued salaries payable	1,044,318	-	-	1,044,318
Unearned revenue	118,056	-	10,309	128,365
	<u>4,097,059</u>	<u>351,995</u>	<u>21,528</u>	<u>4,470,582</u>
Total liabilities	<u>4,097,059</u>	<u>351,995</u>	<u>21,528</u>	<u>4,470,582</u>

See Accompanying Notes to the Financial Statements

**Alma Public Schools
Governmental Funds
Balance Sheet
June 30, 2017**

	General Fund	2017 Capital Projects	Nonmajor Governmental Funds	Total Governmental Funds
Fund Balance				
Non-spendable				
Inventory	\$ 31,680	\$ -	\$ 9,523	\$ 41,203
Prepaid items	128,573	-	3,375	131,948
Restricted for				
Debt service	-	-	98,792	98,792
Capital projects	-	8,740,974	-	8,740,974
Special purposes	37,715	-	-	37,715
Committed				
Technology updates	100,000	-	-	100,000
Unassigned (deficit)	2,457,362	-	(5,685)	2,451,677
	<u>2,755,330</u>	<u>8,740,974</u>	<u>106,005</u>	<u>11,602,309</u>
Total fund balance	<u>2,755,330</u>	<u>8,740,974</u>	<u>106,005</u>	<u>11,602,309</u>
Total liabilities and fund balances	<u><u>\$ 6,852,389</u></u>	<u><u>\$ 9,092,969</u></u>	<u><u>\$ 127,533</u></u>	<u><u>\$ 16,072,891</u></u>

See Accompanying Notes to the Financial Statements

Alma Public Schools
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position
June 30, 2017

Total fund balances for governmental funds	\$ 11,602,309
Total net position for governmental activities in the statement of net position is different because	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	
Capital assets not being depreciated	1,604,609
Capital assets - net of accumulated depreciation	34,512,467
Deferred outflows (inflows) of resources	
Deferred outflows of resources resulting from debt refunding	850,057
Deferred inflows of resources resulting from net pension liability	(1,846,965)
Deferred outflow of resources from net pension liability	4,377,029
Certain liabilities are not due and payable in the current period and are not reported in the funds.	
Accrued interest	(723,541)
Compensated absences	(915,584)
Long-term liabilities applicable to governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities.	
Bonds payable	(32,004,651)
School bond loan payable	(1,440,179)
Net pension liability	(30,646,362)
Internal Service Fund assets and liabilities are included in governmental activities in the statement of net position	123,116
Net position of governmental activities	\$ (14,507,695)

See Accompanying Notes to the Financial Statements

Alma Public Schools
Governmental Funds
Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended June 30, 2017

	General Fund	2017 Capital Projects	Nonmajor Governmental Funds	Total Governmental Funds
Revenues				
Local sources	\$ 2,237,490	\$ 34,850	\$ 2,454,234	\$ 4,726,574
State sources	16,818,501	-	68,967	16,887,468
Federal sources	764,840	-	953,416	1,718,256
Interdistrict sources	1,510,856	-	-	1,510,856
	<u>21,331,687</u>	<u>34,850</u>	<u>3,476,617</u>	<u>24,843,154</u>
Expenditures				
Current				
Education				
Instruction	12,901,352	-	-	12,901,352
Supporting services	7,263,552	10,231	-	7,273,783
Food services	-	-	894,121	894,121
Community services	71,698	-	-	71,698
Capital outlay	400,721	1,183,452	270	1,584,443
Debt service				
Principal	26,523	-	1,550,000	1,576,523
Interest and other expenditures	662	-	1,045,623	1,046,285
Bond issuance costs	-	98,345	-	98,345
	<u>20,664,508</u>	<u>1,292,028</u>	<u>3,490,014</u>	<u>25,446,550</u>
Excess (deficiency) of revenues over expenditures	<u>667,179</u>	<u>(1,257,178)</u>	<u>(13,397)</u>	<u>(603,396)</u>

See Accompanying Notes to the Financial Statements

Alma Public Schools
Governmental Funds
Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended June 30, 2017

	General Fund	2017 Capital Projects	Nonmajor Governmental Funds	Total Governmental Funds
Other Financing Sources (Uses)				
Proceeds from issuance of bonds	\$ -	\$ 9,820,000	\$ -	\$ 9,820,000
Premium on issuance of bonds	-	178,152	-	178,152
Proceeds from sale of capital assets	9,990	-	-	9,990
Transfers in	-	-	253	253
Transfers out	(253)	-	-	(253)
 Total other financing sources (uses)	 9,737	 9,998,152	 253	 10,008,142
 Net change in fund balance	 676,916	 8,740,974	 (13,144)	 9,404,746
 Fund balance - beginning	 2,078,414	 -	 119,149	 2,197,563
 Fund balance - ending	 <u>\$ 2,755,330</u>	 <u>\$ 8,740,974</u>	 <u>\$ 106,005</u>	 <u>\$ 11,602,309</u>

See Accompanying Notes to the Financial Statements

Alma Public Schools
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances
of Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2017

Net change in fund balances - Total governmental funds	\$ 9,404,746
Total change in net position reported for governmental activities in the statement of activities is different because	
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.	
Depreciation expense	(1,375,384)
Capital outlay	1,233,160
Sale of capital assets (net book value)	(1,757)
Expenses are recorded when incurred in the statement of activities.	
Interest	(108,888)
Compensated absences	(42,110)
The statement of net position reports the net pension liability and deferred outflows of resources and deferred inflows related to the net pension liability and pension expense. However, the amount recorded on the governmental funds equals actual pension contributions.	
Net change in net pension liability	435,662
Net change in the deferral of resources related to the net pension liability	(489,296)
Net change between actual pension contributions and the cost of benefits earned net of employee contributions	13,596
Bond and note proceeds and capital leases are reported as financing sources in the governmental funds and thus contribute to the change in fund balance. In the statement of net position, however, issuing debt increases long-term liabilities and does not affect the statement of activities. Similarly, repayment of principal is an expenditure in the governmental funds but reduces the liability in the statement of net position. Also, governmental funds report the effect of premiums, discounts and similar items when debt is first issued, whereas these amounts are recorded as liabilities and amortized in the statement of activities. When debt refunding occurs, the difference in the carrying value of the refunding debt and the amount applied to the new debt is reported the same as regular debt proceeds or repayments, as a financing source or expenditure in the governmental funds. However, in the statement of net position, debt refunding may result in deferred inflows of resources or deferred outflows of resources, which are then amortized in the statement of activities.	
Debt issued	(9,998,152)
Repayments of long-term debt	1,576,523
Amortization of premiums	85,604
Amortization of deferred amount on debt refunding	(49,875)
Amortization of bond discount	(2,598)
Internal Service Fund revenues and expenses are included in governmental activities in the statement of activities	239,852
Change in net position of governmental activities	\$ 921,083

See Accompanying Notes to the Financial Statements

Alma Public Schools
Proprietary Fund
Internal Service Fund
Statement of Net Position
June 30, 2017

Assets

Cash and cash equivalents	\$ 330,503
Due from other funds	<u>190,420</u>
 Total assets	 <u>520,923</u>

Liabilities

Current liabilities	
Accounts payable	149,781
Accrued expenditures	192,026
Incurred but not reported claims (IBNR)	<u>56,000</u>
 Total current liabilities	 <u>397,807</u>
 Total unrestricted net position	 <u><u>\$ 123,116</u></u>

Alma Public Schools
Proprietary Fund
Internal Service Fund
Statement of Revenues, Expenses and Changes in Fund Net Position
For the Year Ended June 30, 2017

Operating revenues	
Charges to other funds	\$ 1,472,970
Employee contributions	359,762
Insurance recoveries and rebates	<u>27,448</u>
Total revenues	<u>1,860,180</u>
Operating expenses	
Medical	788,624
Prescriptions	319,663
Stop loss insurance	377,912
Management fees	109,423
Other charges	<u>25,079</u>
Total operating expenses	<u>1,620,701</u>
Operating income	239,479
Nonoperating revenues	
Interest income	<u>373</u>
Net change in net position	239,852
Net position (deficit) - beginning of year	<u>(116,736)</u>
Net position - end of year	<u><u>\$ 123,116</u></u>

See Accompanying Notes to the Financial Statements

**Alma Public Schools
Proprietary Fund
Internal Service Fund
Statement of Cash Flows
For the Year Ended June 30, 2017**

Cash flows from operating activities

Receipts from other funds	\$ 1,508,089
Employee contributions	359,762
Insurance recoveries and rebates	27,448
Claims paid	(1,186,399)
Stop loss insurance premiums paid	(377,912)
Management fees paid	(109,423)
Other charges	(25,079)
	<u>(25,079)</u>

Net cash provided by operating activities	196,486
---	---------

Cash flows from investing activities

Interest received	373
	<u>373</u>

Net change in cash and cash equivalents	196,859
---	---------

Cash and cash equivalents - beginning of year	133,644
	<u>133,644</u>

Cash and cash equivalents - end of year	\$ 330,503
	<u>330,503</u>

**Reconciliation of operating income
to net cash provided by operating activities**

Operating income	\$ 239,479
Items not requiring cash	
Decrease in incurred but not reported claims (IBNR)	(40,000)
Adjustments to reconcile operating income to net cash provided by operating activities - changes in assets and liabilities	
Due from other funds	35,119
Accounts payable	(16,668)
Accrued expenditures	(21,444)
	<u>(21,444)</u>

Net cash provided by operating activities	\$ 196,486
	<u>196,486</u>

Alma Public Schools
Fiduciary Funds
Statement of Fiduciary Net Position
June 30, 2017

	Private Purpose Trust Funds	Agency Funds
Assets		
Cash	\$ 22,042	<u>\$ 277,798</u>
Liabilities		
Due to agency fund activities	-	<u>\$ 277,798</u>
Net Position		
Assets held for scholarships and loans	<u>\$ 22,042</u>	

See Accompanying Notes to the Financial Statements

Alma Public Schools
Fiduciary Funds
Private Purpose Trust Funds
Statement of Changes in Fiduciary Net Position
For the Year Ended June 30, 2017

	<u>Private Purpose Trust Funds</u>
Additions	
Interest and investment earnings	\$ 157
Net position - beginning	<u>21,885</u>
Net position - ending	<u><u>\$ 22,042</u></u>

See Accompanying Notes to the Financial Statements

Alma Public Schools
Notes to the Financial Statements
June 30, 2017

Note 1 - Summary of Significant Accounting Policies

The accounting policies of the Alma Public Schools (School District) conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The following is a summary of the School District's significant accounting policies:

Reporting Entity

The School District is governed by an elected seven-member Board of Education. The accompanying financial statements have been prepared in accordance with criteria established by the Governmental Accounting Standards Board for determining the various governmental organizations to be included in the reporting entity. These criteria include significant operational financial relationships that determine which of the governmental organizations are a part of the School District's reporting entity, and which organizations are legally separate component units of the School District. The School District has no component units.

District-wide Financial Statements

The School District's basic financial statements include both district-wide (reporting for the district as a whole) and fund financial statements (reporting the School District's major funds). The district-wide financial statements categorize all nonfiduciary activities as either governmental or business type. All of the School District's activities are classified as governmental activities.

The statement of net position presents governmental activities on a consolidated basis, using the economic resources measurement focus and accrual basis of accounting. This method recognizes all long-term assets and receivables as well as long-term debt and obligations. The School District's net position is reported in three parts (1) net investment in capital assets, (2) restricted net position, and (3) unrestricted net position.

The statement of activities reports both the gross and net cost of each of the School District's functions. The functions are also supported by

general government revenues (property taxes and certain intergovernmental revenues). The statement of activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. Program revenues must be directly associated with the function. Operating grants include operating-specific and discretionary (either operating or capital) grants.

The net costs (by function) are normally covered by general revenue (property taxes, state sources and federal sources, interest income, etc.). The School District does not allocate indirect costs. In creating the district-wide financial statements the School District has eliminated interfund transactions.

The district-wide focus is on the sustainability of the School District as an entity and the change in the School District's net position resulting from current year activities.

Fund Financial Statements

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the School District 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.

Alma Public Schools
Notes to the Financial Statements
June 30, 2017

Property taxes, unrestricted state aid, intergovernmental grants, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenue of the current fiscal period. All other revenue items are considered to be available only when cash is received by the government.

Proprietary fund and fiduciary fund statements also are reported using the economic resources measurement focus and the accrual basis of accounting. Proprietary funds distinguish operating revenue and expenses from nonoperating items. Operating revenue and expenses generally result from providing services in connection with a proprietary fund's principal ongoing operations. All revenue and expenses not meeting this definition are reported as nonoperating revenues and expenses. The only proprietary fund maintained is an Internal Service Fund that is used to account for the financing of risk management services provided to other funds on a cost-reimbursement basis. The Internal Service Fund maintained by the School District is the Self-Insurance Fund, which includes transactions related to the School District's risk management programs for medical claims.

The School District reports the following major governmental funds:

General Fund – The General Fund is used to record the general operations of the School District pertaining to education and those operations not required to be provided for in other funds.

2017 Capital Projects Fund – This fund is used to record bond proceeds or other revenue and the disbursement of invoices specifically for acquiring new school sites, buildings, equipment, and for remodeling and repairs. The fund is kept open until the purpose for which the fund was created has been accomplished.

Additionally, the School District reports the following fund types:

Special Revenue Funds – Special Revenue Funds are used to account for the proceeds of specific revenue sources that are restricted to expenditures for specified purposes. The School District's Special Revenue Funds include the Food Service Fund. Operating deficits generated by these activities are generally covered by a transfer from the General Fund.

Debt Service Funds – Debt Service Funds are used to record taxes, interest, and other revenue and the payment of interest, principal, and other expenditures on long-term debt.

Internal Service Fund – The School District's Proprietary Fund is the Internal Service Fund. The purpose of the fund is to finance services provided to other funds of the School District on a cost-reimbursement basis. The Internal Service Fund maintained by the School District accounts for medical coverage. It is funded through transfers primarily from the General Fund in amounts equal to normal estimated risk management claims.

Fiduciary Funds – Fiduciary Funds are used to account for assets held by the School District in a trustee capacity or as an agent. The Trust Funds are funds entrusted to the School District for scholarship awards and loans and the principal and interest of the trust may be spent. The Agency Fund is custodial in nature (assets equal liabilities) and does not involve the measurement of results of operations. This fund is used to record the transactions of student groups for school and school-related purposes.

Assets, Liabilities and Net Position or Equity

Cash – Cash and cash equivalents include cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired.

Alma Public Schools
Notes to the Financial Statements
June 30, 2017

Receivables and Payables – Generally, outstanding amounts owed between funds are classified as “due from/to other funds”. These amounts are caused by transferring revenues and expenses between funds to get them into the proper reporting fund. These balances are paid back as cash flow permits.

All trade and property taxes receivables are shown net of an allowance for uncollectible amounts. The School District considers all accounts receivable to be fully collectible; accordingly, no allowance for uncollectible amounts is recorded.

Property taxes collected are based upon the approved tax rate for the year of levy. For the fiscal year ended June 30, 2017, the rates are as follows per \$1,000 of assessed value.

General Fund	
Non-principal residence exemption	18.00
Commercial personal property	6.00
Debt Service Funds	7.00

School property taxes are assessed and collected in accordance with enabling state legislation by cities and townships within the School District’s boundaries.

Property taxes are assessed as of December 31 and attach as an enforceable lien on July 1 of the following year. School property taxes are levied on December 1 and July 1 and are due on or before March 1 and October 31, respectively. Collections are forwarded to the School District as collected by the assessing municipalities. Real property taxes uncollected as of March 1 are purchased by the County of Gratiot and remitted to the School District before the fiscal year end.

Inventories and Prepaid Items – Inventories are valued at cost, on a first-in, first-out basis. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

Certain payments to vendors reflect costs applicable to future fiscal years. For such payments in governmental funds, the School District follows the consumption method, and they therefore are capitalized as prepaid items in both district-wide and fund financial statements.

Capital Assets – Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at their estimated fair market value at the date of donation. The School District defines capital assets as assets with an initial individual cost in excess of \$5,000. Costs of normal repair and maintenance that do not add to the value or materially extend asset lives are not capitalized. The School District does not have infrastructure assets. Buildings, equipment, and vehicles are depreciated using the straight-line method over the following useful lives:

Buildings and additions	20-50 years
Site improvements	10-20 years
Equipment and furniture	5-10 years
Buses and other vehicles	5-10 years

Deferred Outflows of Resources – A deferred outflow of resources is a consumption of net position by the government that is applicable to a future reporting period. For district-wide financial statements, the School District reports deferred outflows of resources as a result of pension earnings. This amount is the result of a difference between what the plan expected to earn from plan investments and what is actually earned. This amount will be amortized over the next four years and included in pension expense. Changes in assumptions relating to the net pension liability are deferred and amortized over the expected remaining service lives of the employees and retirees in the plan. The School District also reported deferred outflows of resources for pension contributions made after the measurement date. This amount will reduce the net pension liability in the following year.

Alma Public Schools
Notes to the Financial Statements
June 30, 2017

Deferred amounts on bond refundings are included in the district-wide financials statements. The amounts represent the difference between the reacquisition price and the net carrying amount of the prior debt.

Compensated Absences – Sick days are earned by most employees at the rate of one day per school month (10 days per year). A maximum of 60 sick days may be accumulated by an employee. Retiring employees who meet certain age and years of service requirements are paid for accumulated sick days to a maximum number of days and at a rate determined by their job category.

Employees who are not teachers are awarded vacation days based on years of service, up to a maximum of 20 days. Retiring employees are paid for vacation days up to the maximum number of days accumulated.

The liability for compensated absences reported in the district-wide financial statements consists of unpaid, accumulated sick leave and vacation balances. The sick leave liability has been calculated using the vesting method, in which leave amounts for both employees who currently are 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. The liability for vacation is calculated based on days earned and the current rate. The amount reported is salary related and includes fringe benefits.

Long-term Obligations – In the district-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. In the fund financial statements, governmental fund types recognize bond premiums and discounts during the current period.

In the School District's fund financial statements, the face amount of the debt issued is reported as other financing sources. Premiums received on debt issuance are reported as other financing sources while discounts are reported as other financing uses.

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

Deferred Inflows of Resources – A deferred inflow of resources is an acquisition of net position by the government that is applicable to a future reporting period. For governmental funds this includes unavailable revenue in connection with receivables for revenues that are not considered available to liquidate liabilities of the current period. For district-wide financial statements, the School District reports deferred inflows of resources as a result of pension earnings. This amount is the result of a difference between what the plan expected to earn from the plan investments and what the plan actually earned. This amount will be amortized over the next four years and included in pension expense. Changes in assumptions relating to the net pension liability are deferred and amortized over the expected remaining service lives of the employees and retirees in the plan. Deferred inflows of resources also includes revenue received relating to the amounts included in the deferred outflows for payments related to MPERS Unfunded Actuarial Accrued Liabilities (UAAL) Stabilization defined benefit pension statutorily required contributions.

Alma Public Schools
Notes to the Financial Statements
June 30, 2017

Fund Equity – In the fund financial statements, governmental funds report fund balance in the following categories:

Non-spendable – amounts that are not available in a spendable form.

Restricted – amounts that are legally imposed or otherwise required by external parties to be used for a specific purpose.

Committed – amounts that have been formally set aside by the Board of Education for specific purposes. A fund balance commitment may be established, modified, or rescinded by a resolution of the Board of Education.

Assigned – amounts intended to be used for specific purposes, as determined by the Board of Education, the budget or finance committee, or the Superintendent. The Board of Education has granted the finance committee and Superintendent the authority to assign funds. Residual amounts in governmental funds other than the General Fund are automatically assigned by their nature.

Unassigned – all other resources; the remaining fund balances after non-spendable, restrictions, commitments and assignments.

Contributions were received that are restricted for use by either a particular building or programmatic purpose. At the end of the fiscal year, restricted amounts were as follows:

Building	
Hillcrest Elementary	\$ 6,943
Luce Road Elementary	1,521
Pine Avenue Elementary	572
Donald L. Pavlik Middle School	1,235
High School	367
Program	
After school program	5,211
Athletics	13,907
Other	7,959
	<u>\$ 37,715</u>

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the School District's policy is to consider restricted funds spent first.

When an expenditure is incurred for purposes for which committed, assigned, or unassigned amounts could be used, the School District's policy is to consider the funds to be spent in the following order: (1) committed, (2) assigned, (3) unassigned.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities, as well as deferred inflows and deferred outflows of resources at the date of the financial statements and the reported amounts of revenue and expenditures during the reporting period. Actual results could differ from those estimates.

Alma Public Schools
Notes to the Financial Statements
June 30, 2017

Eliminations and Reclassifications

In the process of aggregating data for the statement of net position and the statement of activities, some amounts reported as interfund activity and balances in the funds were eliminated or reclassified. Interfund receivables and payables were eliminated to minimize the “grossing up” effect on assets and liabilities within the governmental activities column.

Adoption of New Accounting Standards

GASB Statement No. 77, *Tax Abatement Disclosures* requires disclosure of tax abatement information about (1) a reporting government’s own tax abatement agreements and (2) those that are entered into by other governments and that reduce the reporting government’s tax revenues. The requirements of this Statement are effective for the fiscal year ending June 30, 2017.

Upcoming Accounting and Reporting Changes

Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. For defined OPEB plans, this Statement identifies the methods and assumptions that are required to be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee services. It also requires additional note disclosures and required supplementary information. Statement No. 75 is effective for the fiscal year ending June 30, 2018.

Statement No. 84, *Fiduciary Activities* improves the guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. The focus of the criteria includes the following: (1) is the government controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. The four fiduciary funds that should be reported, if applicable are: (1) pension (and other employee benefit) trust funds, (2) investment trust funds,

(3) private-purpose trust funds, and (4) custodial funds. Custodial funds generally will report fiduciary activities that are not held in a trust or similar arrangement that meets specific criteria. The requirements of this Statement are effective for the fiscal year ending June 30, 2020.

Statement No. 85, *Omnibus 2017* addresses practice issues that were identified during implementation and application of certain GASB Statements. This statement covers issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits), which is effective for the fiscal year ending June 30, 2018.

Statement No. 86, *Certain Debt Extinguishment Issues* is to improve consistency in accounting and financial reporting for in-substance defeasance of debt. The statement provides uniform guidance for derecognizing debt that is defeased in substance, regardless of how cash and other monetary assets placed in an irremovable trust for the purpose of extinguishing that debt were acquired. The effective date is for the fiscal year ending June 30, 2018.

The School District is evaluating the impact that the above GASBs will have on its financial reporting.

Note 2 - Stewardship, Compliance, and Accountability

Budgetary Information

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America and state law for the General and Special Revenue Funds. All annual appropriations lapse at fiscal year end, thereby canceling all encumbrances. These appropriations are reestablished at the beginning of the year.

Alma Public Schools
Notes to the Financial Statements
June 30, 2017

The budget document presents information by fund and function. The legal level of budgetary control adopted by the governing body is the functional level. State law requires the School District to have its budget in place by July 1. A district is not considered in violation of the law if reasonable procedures are in use by the School District to detect violations.

The Superintendent is authorized to transfer budgeted amounts between functions within any fund; however, any revisions that alter the total expenditures of any fund must be approved by the Board of Education.

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

Excess of Expenditures over Appropriations

During the year, the School District incurred expenditures in certain budgetary funds which were in excess of the amounts appropriated, as follows:

Function	Final Budget	Amount of Expenditures	Budget Variances
General Fund			
School administration	\$ 1,223,355	\$ 1,334,777	\$ 111,422
Athletic activities	538,508	559,294	20,786

District-Wide Deficits

The School District has an unrestricted net position deficit for District-Wide activities in the amount of \$26,808,687 as of June 30, 2017.

Fund Deficit

The food services fund has deficit unassigned fund balance of \$5,685 which will be eliminated by either the consumption of inventory or future transfers from the general fund.

Compliance – Bond Proceeds

The 2017 Capital Projects Fund includes capital project activities funded with bonds issued after May 1, 1994. For these capital projects, management believes the School District has complied, in all material respects, with the applicable provisions of Section 1351a of the Revised School Code. The following is a summary of the revenue and expenditures in the 2017 Capital Projects Fund from the inception of the funds through the current fiscal year:

	2017 Fund
Revenues	\$ 10,033,002
Expenditures	1,292,028

Note 3 - Deposits and Investments

The School District's deposits and investments were reported in the basic financial statements in the following categories:

	Governmental Activities	Fiduciary Funds	Total Primary Government
Cash	\$ 12,188,827	\$ 299,840	\$ 12,488,667

The breakdown between deposits and investments for the School District is as follows:

Deposits (checking, savings accounts, money markets, certificates of deposit)	\$ 2,221,979
Investments in securities, mutual funds, and similar vehicles	10,266,113
Petty cash and cash on hand	575
Total	\$ 12,488,667

Alma Public Schools
Notes to the Financial Statements
June 30, 2017

As of year-end, the School District had the following investments:

Investment	Fair Value	Maturities	Rating	Rating Organization
MILAF + MAX Class	\$ 3,282,356	< 60 days	AAAm	Standard and Poor's
MILAF + Cash Mgmt Class	3,757	< 60 days	AAAm	Standard and Poor's
MILAF Term	6,980,000	< 1 year	AAAm	Standard and Poor's
	<u>\$ 10,266,113</u>			

Interest rate risk – The School District has a formal investment policy to manage its exposure to fair value losses arising from changes in interest rates.

Credit risk – State statutes and the School District's investment policy authorize the School District to make deposits in the accounts of federally insured banks, credit unions, and savings and loan associations that have an office in Michigan; the School District is allowed to invest in U.S. Treasury or Agency obligations, U.S. government repurchase agreements, bankers' acceptances, commercial paper rated prime at the time of purchase that matures not more than 270 days after the date of purchase, mutual funds, and investment pools that are composed of authorized investment vehicles.

Concentration of credit risk – The School District has no policy that would limit the amount that may be invested with any one issuer.

Custodial credit risk – deposits – In the case of deposits, this is the risk that in the event of a bank failure, the School District's deposits may not be returned to it. The School District does not have a deposit policy for custodial credit risk. As of year end, \$1,779,483 of the School District's bank balance of \$2,396,659 was exposed to custodial credit risk because it was uninsured and uncollateralized.

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. As of year end, none of the district's investments were exposed to custodial credit risk.

Note 4 - Fair Value Measurements

School District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The School District has the following recurring fair value measurements as of June 30, 2017:

Amounts invested in MILAF + Portfolio of \$10,266,113. The MILAF + Portfolio is not registered under Rule 2a-7 under the Investment Company Act of 1940. The money market securities are valued using amortized cost, which generally approximates the current fair value of the security. However, the value is not obtained from a quoted price in an active market. (Level 2 inputs)

Alma Public Schools
Notes to the Financial Statements
June 30, 2017

Note 5 - Capital Assets

A summary of the changes in governmental capital assets is as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities				
Capital assets not being depreciated				
Land	\$ 723,068	\$ -	\$ -	\$ 723,068
Construction-in-progress	-	881,541	-	881,541
Total capital assets not being depreciated	723,068	881,541	-	1,604,609
Capital assets being depreciated				
Buildings and additions	46,030,108	43,013	-	46,073,121
Site improvements	6,478,927	13,584	5,856	6,486,655
Equipment and furniture	7,803,786	36,045	193,600	7,646,231
Buses and other vehicles	1,503,441	258,977	307,240	1,455,178
Total capital assets being depreciated	61,816,262	351,619	506,696	61,661,185
Less accumulated depreciation for				
Buildings and additions	15,430,139	887,980	-	16,318,119
Site improvements	2,490,047	314,260	4,099	2,800,208
Equipment and furniture	7,139,081	102,329	193,600	7,047,810
Buses and other vehicles	1,219,006	70,815	307,240	982,581
Total accumulated depreciation	26,278,273	1,375,384	504,939	27,148,718
Net capital assets being depreciated	35,537,989	(1,023,765)	1,757	34,512,467
Net capital assets	\$ 36,261,057	\$ (142,224)	\$ 1,757	\$ 36,117,076

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

Governmental activities	
Instruction	\$ 1,188,877
Support services	179,128
Food services	7,379
Total governmental activities	\$ 1,375,384

Construction Contracts

As of year-end, the School District had the following construction contracts in progress:

Project	Total Contract	Remaining Construction Commitment at Year End
2017 Bond Construction Project	\$ 4,740,847	\$ 3,498,975

Note 6 - Interfund Receivable and Payable and Transfers

Individual interfund receivable and payable balances at year end were:

Due From	Due To		
	General Fund	Non Major Governmental Funds	Total
Internal Service Fund	\$ 190,420	\$ -	\$ 190,420
General Fund	-	10,540	10,540
Total	\$ 190,420	\$ 10,540	\$ 200,960

The outstanding balances between funds result mainly from the time lag between the dates that transactions are recorded in the accounting system and payments between funds are made.

Management does not anticipate individual interfund balances to remain outstanding for periods in excess of one year.

Interfund transfers were made during the year between the General Fund and the Food Service Fund totaling \$253. These transfers were made to cover the costs resulting from uncollectible meal charges as of June 30, 2017.

Alma Public Schools
Notes to the Financial Statements
June 30, 2017

Note 7 - Unearned Revenue

Governmental funds report unearned revenue in connection with resources that have been received but not yet earned. At the end of the current fiscal year unearned revenue consisted of the following:

Grant and categorical aid payments received prior to meeting all eligibility requirements	\$ 118,056
Other - student meal deposits	<u>10,309</u>
Total	<u>\$ 128,365</u>

Note 8 - State Aid Anticipation Note

The School District issues state aid anticipation notes in advance of state aid collections, depositing the proceeds in the General Fund. These notes are necessary because the School District receives state aid from October through the following August for its fiscal year ending June 30th. Short-term debt activity for the year was as follows:

	Beginning Balance	Proceeds	Repayments	Ending Balance
State aid anticipation note	<u>\$ 2,400,000</u>	<u>\$ 1,800,000</u>	<u>\$ 2,400,000</u>	<u>\$ 1,800,000</u>

Note 9 - Long-Term Debt

The School District issues bonds, notes, and other contractual commitments to provide for the acquisition and construction of major capital facilities and the acquisition of certain equipment. General obligation bonds are direct obligations and pledge the full faith and credit of the School District. Other long-term obligations include compensated absences.

Long-term obligation activity is summarized as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Amount Due Within One Year
Government obligation bonds	\$ 22,680,000	\$ 9,820,000	\$ 1,550,000	\$ 30,950,000	\$ 1,655,000
School Bond Loan	1,440,179	-	-	1,440,179	-
Compensated absences	873,474	42,110	-	915,584	-
Contracts payable	26,523	-	26,523	-	-
Premium on bonds	988,091	178,152	85,604	1,080,639	-
Discount on bonds	(28,586)	-	(2,598)	(25,988)	-
Total	<u>\$ 25,979,681</u>	<u>\$ 10,040,262</u>	<u>\$ 1,659,529</u>	<u>\$ 34,360,414</u>	<u>\$ 1,655,000</u>

For governmental activities, compensated absences and contracts payable are primarily liquidated by the General Fund.

General obligation bonds payable at year end, consist of the following:

2012 Refunding Bonds due in annual installments of \$30,000 to \$905,000 through May 1, 2026, interest at 2.25% to 5.00%	\$ 7,155,000
2014 Refunding Bonds due in annual installments of \$15,000 to \$960,000 through May 1, 2033, interest at 3.38% to 4.00%	7,585,000
2010 Building and Site Bonds due in annual installments of \$635,000 to \$640,000 through May 1, 2027, interest at 4.00% to 5.25%	6,390,000
2017 Building and Site Bonds due in annual installments of \$100,000 to \$1,325,000 through May 1, 2037, interest at 3.00% to 3.50%	<u>9,820,000</u>
Total general obligation bonded debt	<u>\$ 30,950,000</u>

Alma Public Schools
Notes to the Financial Statements
June 30, 2017

Future principal and interest requirements for bonded debt are as follows:

Year Ending June 30,	Principal	Interest	Total
2018	\$ 1,655,000	\$ 1,309,111	\$ 2,964,111
2019	1,685,000	1,154,146	2,839,146
2020	1,690,000	1,102,881	2,792,881
2021	1,720,000	1,025,691	2,745,691
2022	1,745,000	943,341	2,688,341
2023-2027	9,140,000	3,534,918	12,674,918
2028-2032	6,710,000	1,868,832	8,578,832
2033-2037	6,605,000	682,895	7,287,895
Total	<u>\$ 30,950,000</u>	<u>\$ 11,621,815</u>	<u>\$ 42,571,815</u>

The general obligation bonds are payable from the Debt Service Funds. As of year end, the funds had a balance of \$98,792 to pay this debt. Future debt and interest will be payable from future tax levies.

State School Bond Loan

The State School Bond Loan consists of a borrowing agreement with the State of Michigan for the purpose of meeting the financing of current debt maturities on the School District's bond issues. The School District has issued various bonds to renovate School District facilities. The bond elections, as passed by the voters, specified that the School District debt millage would not exceed the pre-bond voted millage of 7 mills. Since the monies generated by the 7 mills are presently not enough to cover the entire debt service requirements of the School District, it has been necessary for the School District to borrow to meet debt service requirements. Management of the School District anticipates that as bonds mature, the revenues provided by the debt millage will be sufficient to satisfy the future debt service requirements of the bonds and all necessary borrowing from the State School Bond Loan Fund. During the year, the School District did not borrow any additional amounts and had an outstanding balance at year end of \$1,440,179, from the State School Bond Loan Fund. The School District paid \$68,149 in interest during the fiscal year. The

School District has agreed to repay the loan amount with interest at rates and at times to be determined by the State Treasurer.

Compensated Absences

Accrued compensated absences at year end, consist of \$49,109 of vacation hours earned and vested and \$866,475 in accrued sick time benefits. The entire vested amount is considered long-term as the amount expended each year is expected to be offset by sick time earned for the year.

Deferred Amount on Refunding

The School District issued bonds in 2012 to advance refund and retire previously issued bonds. The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$589,071. This amount, less accumulated amortization, is reported in the accompanying statement of net position as a deferred outflow of resources and is being charged to activities through fiscal year 2026. The balance at June 30, 2017 is \$388,999.

The School District issued bonds in 2014 to advance refund and retire previously issued bonds. The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$466,529. This amount, less accumulated amortization, is reported in the accompanying statement of net position as a deferred outflow of resources and is being charged to activities through fiscal year 2033. The balance at June 30, 2017 is \$461,058.

The following summarizes the current fiscal year activity:

	Beginning Balance	Additions	Reductions	Ending Balance
2012 Refunding Bonds	\$ 437,658	\$ -	\$ 48,659	\$ 388,999
2014 Refunding bonds	462,274	-	1,216	461,058
Total	<u>\$ 899,932</u>	<u>\$ -</u>	<u>\$ 49,875</u>	<u>\$ 850,057</u>

Alma Public Schools
Notes to the Financial Statements
June 30, 2017

Note 10 - Risk Management

The School District is exposed to various risks of loss related to property loss, torts, errors and omissions, and certain medical benefits provided to employees. The School District has purchased commercial insurance for general liability, property and casualty and health and vision claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in the past three fiscal years.

In addition to risks described above, the School District is subject to risk of loss as a result of employee injuries (worker's compensation). To minimize such risk of loss, the School District participates in a public entity risk pool through the School Employers Group. The School District's contribution to the pool during the fiscal year net of prior year rebates amounted to \$13,905. The possibility of additional liabilities in excess of current year contributions exists, however, these amounts are indeterminable and believed to be immaterial, and as such no contingent liabilities have been recognized on the School District's financial statements for the year ended June 30, 2017.

The School District is subject to the Michigan Employment Security Act and has elected to pay unemployment claims on a direct self-insured basis. Under this method the School District must reimburse the Employment Commission for all benefits charged against the School District for the year. The School District had unemployment compensation expense of \$2,719 for the year ended June 30, 2017. No provision has been made for possible future claims.

The School District is partially self-insured for health benefits paid on behalf of 73% of the employees eligible to receive health benefits. Payments are made to the insurance administrator each month based on actual claims and administration fees. The plan provides a stop-loss provision of \$50,000 per employee and \$2,072,140 aggregate. For governmental activities, the liability for health benefits is primarily liquidated by the General Fund.

Change in estimated liabilities for claims for health benefits for the year is as follows:

	2017	2016
Estimated liability at the beginning of the year	\$ 96,000	\$ 90,000
Estimated claims incurred including changes in estimates	1,108,287	1,598,684
Claim payments	(1,148,287)	(1,592,684)
Estimated liability end of year	\$ 56,000	\$ 96,000

Note 11 - Pension Plans and Post-Employment Benefits

Plan Description

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

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

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

Alma Public Schools
Notes to the Financial Statements
June 30, 2017

Benefits Provided

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

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

Contributions and Funding Status

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

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

for the plan's 2016 fiscal year. The schedule below summarizes pension contribution rates in effect for fiscal year 2016.

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

Required contributions to the pension plan from the School District were \$2,758,327 for the year ending September 30, 2016.

Net Pension Liability

At June 30, 2017, the School District reported a liability of \$30,646,362 for its proportionate share of the net pension liability. The net pension liability was measured as of September 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation rolled forward from September 30, 2015. The School District's proportionate share of the net pension liability was based on statutorily required contributions in relation to all employers' statutorily required contributions for the measurement period. At September 30, 2016, the School District's proportionate share percent was 0.1228 percent, which was a decrease of 0.0044 percent since the prior measurement date.

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

For the year ended June 30, 2017, the School District recognized total pension expense of \$2,816,186. The School District's actual contributions for the years ended June 30, 2017, 2016, and 2015 were approximately \$1,926,200, \$2,023,500, and \$2,607,300, respectively.

Alma Public Schools
Notes to the Financial Statements
June 30, 2017

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

	Deferred Outflows of Resources	Deferred Inflows of Resources	Amount to Amortize
Difference between expected and actual experience	\$ 381,935	\$ (72,633)	\$ 309,302
Changes in assumptions	479,132	-	479,132
Net difference between projected and actual earnings on pension plan investments	509,342	-	509,342
Changes in proportion and differences between employer contributions and proportionate share of contributions	345,708	(841,387)	(495,679)
Employer contributions subsequent to the measurement date	2,660,912	(932,945)	-
	<u>\$ 4,377,029</u>	<u>\$ (1,846,965)</u>	<u>\$ 802,097</u>

\$2,660,912 reported as deferred outflows of resources related to pensions resulting from employer contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. \$932,945 reported as deferred inflows of resources relating to pensions resulting from employer contributions subsequent to the measurement date are 147c revenues received that will be recognized in the year ended June 30, 2018 when the related payments reduce the net pension liability.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Plan Year Ending September 30	Total
2017	\$ 136,543
2018	96,482
2019	596,311
2020	(27,239)
	<u>\$ 802,097</u>

Actuarial Assumptions

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

Additional information as of the latest actuarial valuation follows:

Summary of Actuarial Assumptions:

- Valuation Date: September 30, 2015
- Actuarial Cost Method: Entry Age, Normal
- Wage inflation rate: 3.5%
- Investment Rate of returns:
 - MIP and Basic Plans (Non-Hybrid): 8.0%
 - Pension Plus Plan (Hybrid): 7.0%
- Projected Salary Increases: 3.5-12.3%, including wage inflation at 3.5%
- Cost-of-Living Pension Adjustments: 3% Annual Non-Compounded for MIP Members
- Healthcare Cost Trend Rate: 7.5% Year 1 graded to 3.5% Year

Alma Public Schools
Notes to the Financial Statements
June 30, 2017

- Mortality: RP-2000 Combined Healthy Life Mortality Table, adjusted for mortality improvements to 2020 using projection scale AA (for men, 140% of the table rates for ages 0-79, 133% of the table rates for ages 80-84, and 121.8% of the table rates for ages over 84 were used and for women, 96% of the table rates were used).

Assumption changes as a result of an experience study for the periods 2007 through 2012 have been adopted by the System for use in the annual pension valuations beginning with the September 30, 2014 valuation. The total pension liability as of September 30, 2016, is based on the results of an actuarial valuated date of September 30, 2015, and rolled forward using generally accepted actuarial procedures, including the experience study. The recognition period for liabilities is the average of the expected remaining service lives of all employees in years: (4.6273 for non-university employers). The recognition period for assets in years is 5.0000. Full actuarial assumptions are available in the 2016 MPSERS Comprehensive Annual Financial Report (CAFR) (www.michigan.gov/mpsers-cafr).

Long-Term Expected Return on Plan Assets

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of September 30, 2016, are summarized in the following table:

Asset Class	Target Allocation	Long Term Expected Real Rate of Return*
Domestic Equity Pools	28.00%	5.9%
Alternative Investment Pools	18.00%	9.2%
International Equity	16.00%	7.2%
Fixed Income Pools	10.50%	0.9%
Real Estate and Infrastructure Pools	10.00%	4.3%
Absolute Return Pools	15.50%	6.0%
Short Term Investment Pools	2.00%	0.0%
	100.00%	

*Long term rate of return does not include 2.1% inflation

Discount Rate

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

Alma Public Schools
Notes to the Financial Statements
June 30, 2017

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

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

1% Decrease (Non-Hybrid/Hybrid)* 7.0% / 6.0%	Current Single Discount Rate Assumption (Non-Hybrid/Hybrid)* 8.0% / 7.0%	1% Increase (Non-Hybrid/Hybrid)* 9.0% / 8.0%
\$ 39,464,801	\$ 30,646,362	\$ 23,211,571

*Non-university employers, the Basic plan and the Member Investment Plan (MIP) are non-hybrid plans. Pension Plus is a hybrid plan, with a defined benefit (pension) component and a defined contribution (DC) component.

Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued MPSERS CAFR. See the 2016 MPSERS CAFR (www.michigan.gov/mpsers-cafr).

Payables to the Pension Plan

There were no significant payables to the pension plan that are not ordinary accruals to the district.

Post-Employment Benefits

In addition to the pension benefits described above, state law requires the School District to provide post-employment healthcare benefits for eligible retirees and beneficiaries through the Michigan Public School Employees Retirement System (MPSERS).

The 2012 Retirement Reform included changes to retiree healthcare benefits. New employees hired after the effective date who elect this benefit are enrolled in the defined contribution Personal Healthcare Fund. This establishes a portable tax-deferred account in which the participant contributes up to 2% of their salary, and receives up to a 2% employer match. These funds can be used to pay for healthcare expenses in retirement.

Employees working prior to the enactment of the 2012 Retirement Reform have two options: (a) the Personal Healthcare Fund, or (b) the defined benefit Premium Subsidy benefit.

Employees electing the defined benefit Premium Subsidy benefit contribute 3% of their compensation, and the employer contributes an actuarially determined percent of payroll for all participants. Upon retirement members receive a premium subsidy towards health, dental and vision insurance. The subsidy is a percent of the premium cost, with the percentage varying based on several factors.

For the periods July 1, 2016 through September 30, 2016, and October 1, 2016 through June 30, 2017, the employer contribution rate ranged from 6.40% to 6.83% and 5.69% to 5.91%, respectively.

The School District's actual contributions match the required contributions for the years ended June 30, 2017, 2016, and 2015 and were approximately \$650,600, \$648,900, and \$377,000, respectively.

Unfunded Accrued Liability

During the year ending June 30, 2017, the School District had contributions in the amount of \$1,280,111 to the MPSERS. This amount represents the additional employer contributions attributed to the unfunded accrued actuarial liability (UAAL) rate, which was approximately 11.70% for the year ending June 30, 2017.

Alma Public Schools
Notes to the Financial Statements
June 30, 2017

Note 12 - Contingent Liabilities

Amounts received or receivable from grantor agencies are subjected to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of costs which may be disallowed by the grantor cannot be determined at this time although the School District expects such amounts, if any, to be immaterial. A separate report on federal compliance has been issued for the year June 30, 2017.

Note 13 - Tax Abatements

The School District receives reduced property tax revenues as a result of Industrial Facilities Tax exemptions and Brownfield Redevelopment Agreements granted by the City of Alma and Pine River Township. Industrial facility exemptions are intended to promote construction of new industrial facilities, or to rehabilitate historical facilities; Brownfield redevelopment agreements are intended to reimburse taxpayers that remediate environmental contamination on their properties.

For the fiscal year ended June 30, 2017, the School District's property tax revenues were reduced by approximately \$120,000 under these programs.

There are no significant abatements made by the School District.

Note 14 - Subsequent Event

Subsequent to June 30, 2017, the School District has paid the balance of \$1,800,000 and accrued interest on the short-term state aid anticipation note borrowed in August of 2016 and has subsequently borrowed \$1,400,000 in short-term state aid anticipation notes with annual interest of 1.40%. Proceeds from the borrowing were distributed to the School District in August of 2017.

REQUIRED SUPPLEMENTARY INFORMATION

Alma Public Schools
Required Supplementary Information
Budgetary Comparison Schedule - General Fund
For the Year Ended June 30, 2017

	Budgeted Amounts			Over (Under) Budget
	Original	Final	Actual	
Revenues				
Local sources	\$ 2,164,690	\$ 2,201,488	\$ 2,237,490	\$ 36,002
State sources	16,411,469	16,865,894	16,818,501	(47,393)
Federal sources	849,589	841,764	764,840	(76,924)
Interdistrict sources	1,525,936	1,457,944	1,510,856	52,912
Total revenues	<u>20,951,684</u>	<u>21,367,090</u>	<u>21,331,687</u>	<u>(35,403)</u>
Expenditures				
Instruction				
Basic programs	9,029,472	9,308,822	9,155,909	(152,913)
Added needs	3,621,396	3,807,511	3,745,443	(62,068)
Supporting services				
Pupil	1,129,414	1,213,544	1,192,746	(20,798)
Instructional staff	281,690	278,152	213,573	(64,579)
General administration	295,286	295,107	291,840	(3,267)
School administration	1,229,453	1,223,355	1,334,777	111,422
Business	519,600	499,223	444,792	(54,431)
Operations and maintenance	2,200,831	2,250,767	2,202,956	(47,811)
Pupil transportation services	638,729	684,181	667,632	(16,549)
Central	368,835	384,429	355,942	(28,487)
Athletic activities	499,653	538,508	559,294	20,786
Community services	89,350	92,946	71,698	(21,248)
Capital outlay	456,158	570,195	400,721	(169,474)
Debt service				
Principal	26,523	26,523	26,523	-
Interest and fiscal charges	660	663	662	(1)
Total expenditures	<u>20,387,050</u>	<u>21,173,926</u>	<u>20,664,508</u>	<u>(509,418)</u>
Excess of revenues over expenditures	<u>564,634</u>	<u>193,164</u>	<u>667,179</u>	<u>474,015</u>

Alma Public Schools
Required Supplementary Information
Budgetary Comparison Schedule - General Fund
For the Year Ended June 30, 2017

	Budgeted Amounts		Actual	Over (Under) Budget
	Original	Final		
Other Financing Sources (Uses)				
Proceeds from sale of capital assets	\$ 4,000	\$ 4,000	\$ 9,990	\$ 5,990
Transfers out	(41,471)	(20,000)	(253)	(19,747)
Total other financing sources (uses)	(37,471)	(16,000)	9,737	25,737
Net change in fund balance	527,163	177,164	676,916	499,752
Fund balance - beginning	2,078,414	2,078,414	2,078,414	-
Fund balance - ending	<u>\$ 2,605,577</u>	<u>\$ 2,255,578</u>	<u>\$ 2,755,330</u>	<u>\$ 499,752</u>

Alma Public Schools
Required Supplementary Information
Schedule of the School District's Proportionate Share of the Net Pension Liability
Michigan Public School Employees Retirement Plan
Last 10 Fiscal Years (Measurement Date September 30th)

	June 30,									
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
A. Reporting unit's proportion of net pension liability (%)	0.12%	0.13%	0.12%							
B. Reporting unit's proportionate share of net pension liability	\$ 30,646,362	\$ 31,082,024	\$ 27,470,796							
C. Reporting unit's covered-employee payroll	\$ 10,360,282	\$ 10,783,374	\$ 10,732,581							
D. Reporting unit's proportionate share of net pension liability as a percentage of its covered- employee payroll	295.81%	288.24%	255.96%							
E. Plan fiduciary net position as a percentage of total pension liability	63.27%	63.17%	66.20%							

Alma Public Schools
Required Supplementary Information
Schedule of the School District's Contributions
Michigan Public School Employees Retirement Plan
Last 10 Fiscal Years

	For the Years Ended June 30,									
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
A. Statutorily required contributions	\$ 1,926,171	\$ 2,023,515	\$ 2,607,326							
B. Contributions in relation to statutorily required contributions	<u>1,926,171</u>	<u>2,023,515</u>	<u>2,607,326</u>							
C. Contribution deficiency (excess)	\$ -	\$ -	\$ -							
D. Reporting unit's covered- employee payroll	\$ 10,768,215	\$ 10,426,497	\$ 10,911,799							
E. Contributions as a percentage of covered-employee payroll	17.89%	19.41%	23.89%							

Notes:

Benefit changes - There were no changes of benefit terms in 2017.

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

OTHER SUPPLEMENTARY INFORMATION

Alma Public Schools
Other Supplementary Information
Nonmajor Governmental Funds
Combining Balance Sheet
June 30, 2017

	Special Revenue Funds	Debt Service Funds			Total Nonmajor Governmental Funds
	Food Services	2012 Debt Service	2014 Debt Service	2010 Debt Service	
Assets					
Cash	\$ 13,864	\$ 27,282	\$ 47,205	\$ 24,405	\$ 112,756
Accounts receivable	1,879	-	-	-	1,879
Inventory	9,523	-	-	-	9,523
Prepaid items	3,375	-	-	-	3,375
	<u>28,641</u>	<u>27,282</u>	<u>47,205</u>	<u>24,405</u>	<u>127,533</u>
Total assets	<u>\$ 28,641</u>	<u>\$ 27,282</u>	<u>\$ 47,205</u>	<u>\$ 24,405</u>	<u>\$ 127,533</u>
Liabilities					
Accounts payable	\$ 679	\$ -	\$ -	\$ -	\$ 679
Due to other funds	10,440	100	-	-	10,540
Unearned revenue	10,309	-	-	-	10,309
	<u>21,428</u>	<u>100</u>	<u>-</u>	<u>-</u>	<u>21,528</u>
Total liabilities	<u>21,428</u>	<u>100</u>	<u>-</u>	<u>-</u>	<u>21,528</u>
Fund Balance					
Non-spendable					
Inventory	9,523	-	-	-	9,523
Prepaid items	3,375	-	-	-	3,375
Restricted for					
Debt service	-	27,182	47,205	24,405	98,792
Unassigned (deficit)	(5,685)	-	-	-	(5,685)
	<u>7,213</u>	<u>27,182</u>	<u>47,205</u>	<u>24,405</u>	<u>106,005</u>
Total fund balance	<u>7,213</u>	<u>27,182</u>	<u>47,205</u>	<u>24,405</u>	<u>106,005</u>
Total liabilities and fund balances	<u>\$ 28,641</u>	<u>\$ 27,282</u>	<u>\$ 47,205</u>	<u>\$ 24,405</u>	<u>\$ 127,533</u>

Alma Public Schools
Other Supplementary Information
Nonmajor Governmental Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended June 30, 2017

	Special Revenue Funds	Debt Service Fund			Total Nonmajor Governmental Funds
	Food Services	2012 Debt Service	2014 Debt Service	2010 Debt Service	
Revenues					
Local sources	\$ 175,096	\$ 1,269,786	\$ 325,507	\$ 683,845	\$ 2,454,234
State sources	68,967	-	-	-	68,967
Federal sources	654,265	-	-	299,151	953,416
Total revenues	898,328	1,269,786	325,507	982,996	3,476,617
Expenditures					
Current					
Food services	894,121	-	-	-	894,121
Capital outlay	270	-	-	-	270
Debt service					
Principal	-	895,000	20,000	635,000	1,550,000
Interest and other expenditures	-	384,825	294,042	366,756	1,045,623
Total expenditures	894,391	1,279,825	314,042	1,001,756	3,490,014
Excess (deficiency) of revenues over expenditures	3,937	(10,039)	11,465	(18,760)	(13,397)
Other Financing Sources					
Transfers in	253	-	-	-	253
Net change in fund balance	4,190	(10,039)	11,465	(18,760)	(13,144)
Fund balance - beginning	3,023	37,221	35,740	43,165	119,149
Fund balance - ending	\$ 7,213	\$ 27,182	\$ 47,205	\$ 24,405	\$ 106,005

Alma Public Schools
Other Supplementary Information
General Fund
Comparative Balance Sheet
June 30, 2017

	2017	2016
Assets		
Cash	\$ 2,670,411	\$ 3,541,403
Accounts receivable	7,450	21,521
Due from other funds	10,540	968
Due from other governmental units	4,003,735	3,376,287
Inventory	31,680	25,842
Prepaid items	128,573	111,526
Total assets	\$ 6,852,389	\$ 7,077,547
Liabilities		
Accounts payable	\$ 220,291	\$ 92,420
State aid anticipation note payable	1,800,000	2,400,000
Due to other funds	190,420	228,659
Due to other governmental units	106,488	147,739
Payroll deductions and withholdings	805	4,220
Accrued expenditures	616,681	700,129
Accrued salaries payable	1,044,318	1,274,520
Unearned revenue	118,056	151,446
Total liabilities	4,097,059	4,999,133
Fund Balance		
Non-spendable		
Inventory	31,680	25,842
Prepaid items	128,573	111,526
Restricted for special purposes	37,715	53,767
Committed		
Technology updates	100,000	-
Unassigned	2,457,362	1,887,279
Total fund balance	2,755,330	2,078,414
Total liabilities and fund balance	\$ 6,852,389	\$ 7,077,547

Alma Public Schools
Other Supplementary Information
Schedule of Outstanding Bonded Indebtedness
June 30, 2017

Year Ending June 30,	2014 Refunding Bonds	2012 Refunding Bonds	2010 Building and Site Bonds	2017 Building and Site Bonds	Total
2018	\$ 20,000	\$ 900,000	\$ 635,000	\$ 100,000	\$ 1,655,000
2019	20,000	905,000	635,000	125,000	1,685,000
2020	15,000	885,000	640,000	150,000	1,690,000
2021	15,000	890,000	640,000	175,000	1,720,000
2022	15,000	890,000	640,000	200,000	1,745,000
2023	20,000	895,000	640,000	225,000	1,780,000
2024	20,000	885,000	640,000	250,000	1,795,000
2025	20,000	875,000	640,000	275,000	1,810,000
2026	875,000	30,000	640,000	300,000	1,845,000
2027	945,000	-	640,000	325,000	1,910,000
2028	960,000	-	-	350,000	1,310,000
2029	955,000	-	-	375,000	1,330,000
2030	945,000	-	-	400,000	1,345,000
2031	930,000	-	-	425,000	1,355,000
2032	920,000	-	-	450,000	1,370,000
2033	910,000	-	-	475,000	1,385,000
2034	-	-	-	1,295,000	1,295,000
2035	-	-	-	1,300,000	1,300,000
2036	-	-	-	1,300,000	1,300,000
2037	-	-	-	1,325,000	1,325,000
Total	<u>\$ 7,585,000</u>	<u>\$ 7,155,000</u>	<u>\$ 6,390,000</u>	<u>\$ 9,820,000</u>	<u>\$ 30,950,000</u>
Principal payments due on	May 1st	May 1st	May	May	
Interest payments due on	May 1st and November 1st	May 1st and November 1st	May 1st and November 1st	May and November	
Interest rate	3.38% - 4.00%	2.25 - 5.00%	3.40% - 5.25%	3.00% - 3.50%	
Original issue	<u>\$ 7,675,000</u>	<u>\$ 10,835,000</u>	<u>\$ 9,715,000</u>	<u>\$ 9,820,000</u>	