Tecumseh Public Schools
Tecumseh, Michigan

FINANCIAL STATEMENTS

June 30, 2018

Tecumseh Public Schools

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June 30, 2018

STEVENS KIRINOVIC & TUCKER P.C.

INDEPENDENT AUDITOR'S REPORT

To the Board of Education
Tecumseh Public Schools
Tecumseh, Michigan

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Tecumseh Public Schools (the District), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Tecumseh Public Schools as of June 30, 2018, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter - Change in Accounting Principle

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

As also discussed in Note L to the financial statements, the District implemented Governmental Accounting Standards Board Statement No. 82, *Pension Issues - An Amendment of GASB Statements No. 67, No. 68, and No. 73*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, schedules of proportionate share of net pension liability and contributions, and schedules of proportionate share of net OPEB liability and 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 the District's basic financial statements. The combining nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining nonmajor fund financial statements are the responsibility of management and was derived from and relate 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, the other supplementary information is fairly stated in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 3, 2018, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is 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 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 the District's internal control over financial reporting and compliance.

Stevens Kirinovic & Tucker, P.C.

STEVENS, KIRINOVIC & TUCKER, P.C.
Certified Public Accountants

October 3, 2018

This section of the Tecumseh Public Schools' annual financial report presents our discussion and analysis of the District's financial performance during the year ended June 30, 2018. Please read it in conjunction with the District's financial statements, which immediately follow this section.

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 the District financially as a whole. The district-wide financial statements provide information about the activities of the whole District, presenting both an aggregate view of the 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 District's operations in more detail than the district-wide financial statements by providing information about the District's most significant (major) funds, General Fund and 2015 Debt Service Fund, with all other funds presented in one column as nonmajor funds. The remaining statements of the Fiduciary Funds present financial information about activities for which the School District acts solely as an agent for the benefit of others.

District-wide Financial Statements

One of the most important questions asked about the District is, "As a whole, what is the District's financial condition as a result of the year's activities?" The statement of net position and the statement of activities, which appear first in the District's financial statements, report information on the District as a whole and its activities in a way that helps you answer this question. We prepare these statements to include all assets and liabilities, using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the District's net position - the difference between assets, deferred outflows of resources, liabilities, and deferred inflows of resources as reported in the statement of net position - as one way to measure the District's financial health or financial position. Over time, increases or decreases in the 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 District's operating results. However, the 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, the condition of the district's assets and the safety of the schools, to assess the overall health of the District.

The statement of net position and the statement of activities report the governmental activities for the District, which encompass all of the 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.

Fund Financial Statements

The District's fund financial statements provide detailed information about the most significant funds - not the District as a whole. Some funds are required to be established by State law and by bond covenants. However, the District establishes many other funds to help it control and manage money for particular purposes (the Food Service and Community Pool Funds are examples) or to show that it is 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 District use the following accounting approach:

Governmental funds - All of the 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 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 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 reconciliation.

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

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

The District as a Whole

Recall that the statement of net position provides the perspective of the District as a whole. Table 1 provides a summary of the District's net position as of June 30, 2018, with comparative information as of June 30, 2017:

Table 1

	Statement of Net Position	
	June 30, 2018	June 30, 2017
Assets		
Current and other assets	$ 9,853,829	$ 10,434,010
Capital Assets	46,704,670	47,655,037
Total Assets	56,558,499	58,089,047
Deferred Outflows of Resources	11,013,743	5,138,937
Liabilities		
Current Liabilities	7,103,253	7,493,413
Noncurrent Liabilities	71,825,744	59,867,162
Total Liabilities	78,928,997	67,360,575
Deferred Inflows of Resources	4,071,763	1,142,213
Net Position		
Net investment in capital assets	19,962,194	17,219,101
Restricted	174,951	453,313
Unrestricted	(35,565,663)	(22,917,218)
Total Net Position	$ (15,428,518)	$ (5,244,804)

The analysis in Table 1 focuses on the net position of the District. The effect on net position as a result of the fiscal year activities is reflected in Table 2.

By far the most significant portion of the District's net position is the negative unrestricted portion which is mainly caused due to pensions and other post-employment benefits. The District also reports its investment in capital assets (e.g., land, buildings, equipment, etc.). The District uses these capital assets to provide services to students and residents of the community; consequently, these assets are not available for future spending. Also, a certain amount of net position was restricted for specific purposes such as debt service and food and nutrition.

Net investment in capital assets, totaling $19,962,194, compares the original cost, less depreciation of the District's capital assets, to long-term debt and related items used to finance the acquisition of those assets. Capital assets also reflect investments in capital assets from operating funds. 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 debt covenants and enabling legislation that limit the District's ability to use net position for day-to-day operations. Restricted net position, totaling $212,845, reflects the amount restricted for debt service and capital projects dollars left at June 30, 2018, which are restricted for those purposes. Unrestricted net position reflects those assets available to the District for use in its operation.

The ($35,565,663) in unrestricted net position of governmental activities represents the *accumulated* results of all past years' operations. The unrestricted net position balance enables the District to meet working capital and cash flow requirements as well as to provide for future uncertainties. 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 condensed statement of activities (Table 2), which shows the changes in net position for fiscal years 2017/2018 and 2016/2017.

Governmental Activities

Table 2

	Year Ended June 30, 2018	Year Ended June 30, 2017
Revenues		
Program Revenues		
Charges for services	$ 1,387,628	$ 1,398,172
Operating grants and contributions	4,388,542	3,967,703
General Revenues		
Property Taxes	6,720,756	6,750,658
State foundation allowance	19,022,541	19,462,323
Intermediate sources	1,265,675	1,212,703
Other	775,451	378,489
Total Revenues	33,560,593	33,170,048
Functions/Program Expenses		
Instruction	17,521,268	18,227,558
Support Services	8,847,228	9,059,577
Community service	594,761	584,816
Food Service	1,035,927	1,084,868
Athletics	822,398	825,650
Interest and costs on long-term debt	1,395,407	1,183,270
Unallocated depreciation	1,693,647	1,663,779
Total Expenses	31,910,637	32,629,518
Increase in Net Position	$ 1,649,956	$ 540,530

As reported in the Statement of Activities, the cost of all of our *governmental* activities this year was $31,910,637. Certain activities were partially funded from those who benefited from the programs ($1,387,628 charges for services) or by other governments and organizations that subsidized certain programs with operating grants and contributions ($4,388,542). The District paid for the remaining "public benefit" portion of our governmental activities with $6,720,756 in taxes and $19,022,541 in State foundation allowance and $2,041,126 in other revenues, i.e., interest and general entitlements.

As discussed above, the net cost shows the financial burden that was placed on the State and the District's taxpayers by each of these functions. Since property taxes for operations and unrestricted State aid constitute the vast majority of district operating revenue sources, the Board of Education and administration must annually evaluate the needs of the District and balance those needs with State-prescribed available unrestricted resources.

The District's Funds

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

As the District completed this year, the governmental funds reported a combined fund balance of $6,353,917, which is a decrease of approximately $557,238 from last year. The primary reason for the decrease is a reduction in fund balance in the General Fund from $6,038,321 to $5,700,936. The General Fund is used to account for money or other resources provided to the District to support the educational programs and general operations of the District.

The 2015 Debt Service Fund's fund balance increased by approximately $13,842 to $388,684. The Debt Service Fund balance is reserved since these types of funds can only be used to pay specific debt service obligations.

General Fund Highlights

Over the course of the year, the 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 District's original and final budget amounts compared with amounts actually paid and received is provided in required supplementary information of these financial statements.

The District originally anticipated that revenues and other financing sources would fall short of expenditures and other financing uses by $561,961. After the final amendment was made for 2017/2018, the District anticipated that revenues and other financing sources would trail expenditures and other financing uses by $735,734. Final expenditures and other financing uses came in $290,079 lower than projected, while revenue and other financing sources came in $109,800 higher than projected. Overall, the District's fund balance decreased by $337,385 due to increased utility, facility and fuel costs. In addition, our planned purchases of curriculum, technology and facility improvements were implemented as originally budgeted.

Capital Assets and Debt Administration

Capital Assets

As of June 30, 2018, the District had approximately $46,704,670 invested in a broad range of net capital assets, including land, buildings and building improvements, furniture and equipment, and vehicles (net of accumulated depreciation). This amount represents a net decrease (including additions and disposals) of approximately $950,367 from last year's historical cost of capital assets. Below is the historical cost (net of accumulated depreciation) of all District capital assets:

	2018	2017
Land	$ 1,590,511	$ 1,590,511
Buildings and building improvements	44,595,980	45,691,571
Furniture and equipment	488,511	365,739
Vehicles	29,668	7,216
	$ 46,704,670	$ 47,655,037

See the Note E to the financial statements for more details related to capital assets.

Debt

At the end of this year, the School District had approximately $26,803,179 in bonds and other obligations outstanding versus approximately $30,504,487 in the previous year. Those debts consisted of the following:

	2018	2017
General Obligation Bonds	$ 26,455,000	$ 29,695,000
Installment Loans	287,476	740,936
Compensated absences	60,703	68,551
	$ 26,803,179	$ 30,504,487

The State limits the amount of general obligation debt that schools can issue up to 15 percent of the assessed value of all taxable property within the District's boundaries. If the District issues "qualified debt," i.e., debt backed by the State of Michigan, such obligations are not subject to this debt limit. The District's outstanding qualified general obligation debt of approximately $26,455,000 is below this statutorily imposed limit. Other obligations including accrued vacation pay and sick leave (compensated absences) are reported as required by GASB. More details related to the District's long-term liabilities can be found in Note F to the financial statements.

Economic Factors and Next Year's Budgets and Rates

Our elected officials and administration considered many factors when setting the District's 2018/2019 fiscal year budgets. One of the most important factors affecting the budget is our student count. The 2018/2019 budget was adopted in June 2018, based on an estimate of students that will be enrolled in September 2018. Under State law, the District cannot access additional property tax revenue for general operations. As a result, district funding is heavily dependent on the State's ability to fund local school operations. Once the final student count and related per pupil funding is validated, State law requires the District to amend the budget if actual district resources are not sufficient to fund original appropriations.

Since the 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.

Contacting the District's Management

This financial report is intended to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have any questions about this report or need additional information, please contact:

Judith Pfund, Director of Business Services
212 N. Ottawa Street
Tecumseh, Michigan 49286
(517) 265-1616
Judy.Pfund@lisd.us

BASIC FINANCIAL STATEMENTS

Tecumseh Public Schools

STATEMENT OF NET POSITION

June 30, 2018

		Governmental Activities
ASSETS		
Current assets		
Cash and cash equivalents	$	4,642,461
Accounts receivable		264,482
Due from other governmental units		4,505,321
Prepaids		416,066
Inventories		25,499
Total current assets		9,853,829
Noncurrent assets		
Capital assets not being depreciated		1,590,511
Capital assets, net of accumulated depreciation		45,114,159
Total noncurrent assets		46,704,670
TOTAL ASSETS		56,558,499
DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflows of resources related to pensions		10,150,083
Deferred outflows of resources related to OPEB		863,660
Total deferred outflows of resources		11,013,743
LIABILITIES		
Current liabilities		
Accounts payable		906,715
Accrued payroll		2,311,140
Accrued interest payable		213,733
Unearned revenue		282,057
Current portion of compensated absences		12,132
Current portion of long-term debt		3,377,476
Total current liabilities		7,103,253
Noncurrent liabilities		
Noncurrent portion of compensated absences		48,571
Noncurrent portion of long-term debt		23,365,000
Net OPEB liability		12,343,386
Net pension liability		36,068,787
Total noncurrent liabilities		71,825,744
TOTAL LIABILITIES		78,928,997
DEFERRED INFLOWS OF RESOURCES		
Deferred inflows of resources related to pensions		3,654,466
Deferred inflows of resources related to OPEB		417,297
Total deferred inflows of resources		4,071,763
NET POSITION		
Net investment in capital assets		19,962,194
Restricted for debt service		174,951
Unrestricted		(35,565,663)
TOTAL NET POSITION	$	(15,428,518)

See accompanying notes to financial statements.

Tecumseh Public Schools

STATEMENT OF ACTIVITIES

Year Ended June 30, 2018

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Net (Expense) Revenues and Changes in Net Position: Governmental Activities
Governmental activities				
Instruction	$ 17,521,268	$ 347,928	$ 3,419,918	$ (13,753,422)
Supporting services	8,847,228	8,578	335,213	(8,503,437)
Community service	594,761	430,629	4,540	(159,592)
Food service	1,035,927	395,581	628,871	(11,475)
Athletics	822,398	204,912	-	(617,486)
Interest and costs on long-term debt	1,395,407	-	-	(1,395,407)
Unallocated depreciation	1,693,647	-	-	(1,693,647)
TOTAL	$ 31,910,637	$ 1,387,628	$ 4,388,542	(26,134,467)
General revenues				
Property taxes				6,720,756
State school aid - unrestricted				19,022,541
Intermediate sources				1,265,675
Investment earnings				31,806
Miscellaneous				743,645
TOTAL GENERAL REVENUES				27,784,423
CHANGE IN NET POSITION				1,649,956
Restated net position, beginning of year				(17,078,474)
Net position, end of year				$ (15,428,518)

See accompanying notes to financial statements.

Tecumseh Public Schools

Governmental Funds

BALANCE SHEET

June 30, 2018

	General	2015 Debt Service	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS				
Cash and cash equivalents	$ 4,011,000	$ 388,684	$ 242,777	$ 4,642,461
Accounts receivable	263,506	-	976	264,482
Due from other governmental units	4,473,797	-	31,524	4,505,321
Due from other funds	38,259	-	-	38,259
Prepaids	335,274	-	80,792	416,066
Inventories	-	-	25,499	25,499
TOTAL ASSETS	$ 9,121,836	$ 388,684	$ 381,568	$ 9,892,088
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts payable	$ 844,604	$ -	$ 62,111	$ 906,715
Accrued payroll	2,311,140	-	-	2,311,140
Due to other funds	-	-	38,259	38,259
Unearned revenue	265,156	-	16,901	282,057
TOTAL LIABILITIES	3,420,900	-0-	117,271	3,538,171
FUND BALANCES				
Nonspendable				
Prepaids	335,274	-	80,792	416,066
Restricted				
Debt service	-	388,684	-	388,684
Food and nutrition	-	-	98,866	98,866
Community service	-	-	46,745	46,745
Assigned				
Capital projects	-	-	37,894	37,894
Subsequent year's expenditures	467,627	-	-	467,627
Unassigned	4,898,035	-	-	4,898,035
TOTAL FUND BALANCES	5,700,936	388,684	264,297	6,353,917
TOTAL LIABILITIES AND FUND BALANCES	$ 9,121,836	$ 388,684	$ 381,568	$ 9,892,088

See accompanying notes to financial statements.

Tecumseh Public Schools

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

June 30, 2018

Total fund balances - governmental funds		$ 6,353,917
Amounts reported for the governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in the governmental funds.		
The cost of capital assets is	$ 76,696,470	
Accumulated depreciation is	(29,991,800)	
Capital assets, net		46,704,670
Governmental funds report actual pension expenditures for the fiscal year, whereas the governmental activities will recognize the net pension and OPEB liability as of the measurement date. Pension and OPEB contributions subsequent to the measurement date will be deferred in the statement of net position. In addition, resources related to changes of assumptions, differences between expected and actual experience, state aid related to pensions, differences between projected and actual pension and OPEB plan investment earnings, and changes in proportionate share of the District's contributions will be deferred over time in the district-wide financial statements. These amounts consist of:		
Deferred outflows of resources related to OPEB	863,660	
Deferred inflows of resources related to OPEB	(417,297)	
Deferred outflows of resources related to pensions	10,150,083	
Deferred inflows of resources related to pensions	(3,654,466)	
		6,941,980
Long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-term liabilities at year-end consist of:		
Bonds and loans payable	(26,742,476)	
Accrued interest payable on long-term debt	(213,733)	
Compensated absences	(60,703)	
Net pension liability	(36,068,787)	
Net OPEB liability	(12,343,386)	
		(75,429,085)
Net position of governmental activities		$ (15,428,518)

See accompanying notes to financial statements.

Tecumseh Public Schools

Governmental Funds

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

Year Ended June 30, 2018

	General	2015 Debt Service	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES				
Local sources	$ 2,983,601	$ 4,188,438	$ 835,553	$ 8,007,592
State sources	23,475,102	193,382	46,410	23,714,894
Federal sources	335,213	-	587,001	922,214
TOTAL REVENUES	26,793,916	4,381,820	1,468,964	32,644,700
EXPENDITURES				
Current				
Instruction	17,117,335	-	-	17,117,335
Supporting services	10,172,849	-	-	10,172,849
Food service	-	-	1,012,045	1,012,045
Community service	357,795	-	223,254	581,049
Capital outlay	-	-	824,512	824,512
Debt service				
Principal retirement	325,000	3,035,000	333,460	3,693,460
Interest, fiscal, and other charges	72,143	1,332,978	-	1,405,121
TOTAL EXPENDITURES	28,045,122	4,367,978	2,393,271	34,806,371
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(1,251,206)	13,842	(924,307)	(2,161,671)
OTHER FINANCING SOURCES (USES)				
County special education allocation	1,265,675	-	-	1,265,675
Other transactions	338,758	-	-	338,758
Transfers in	-	-	690,612	690,612
Transfers out	(690,612)	-	-	(690,612)
TOTAL OTHER FINANCING SOURCES (USES)	913,821	-0-	690,612	1,604,433
NET CHANGE IN FUND BALANCES	(337,385)	13,842	(233,695)	(557,238)
Fund balances, beginning of year	6,038,321	374,842	497,992	6,911,155
Fund balances, end of year	$ 5,700,936	$ 388,684	$ 264,297	$ 6,353,917

See accompanying notes to financial statements.

Tecumseh Public Schools

RECONCILIATION OF THE CHANGE IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

Year Ended June 30, 2018

Net change in fund balances - total governmental funds		$ (557,238)
Amounts reported for governmental activities in the statement of activities are different because:		
Capital outlays are reported as expenditures in governmental funds. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:		
Capital outlay	$ 743,280	
Depreciation expense	(1,693,647)	
Excess of depreciation expense over capital outlay		(950,367)
Repayments of long-term debt are reported as expenditures in governmental funds, but the repayment reduces long-term liabilities in the statement of net position. In the current year, these amounts consisted of:		
Debt principal retirements		3,693,460
Some items reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. These activities consist of:		
Decrease in accrued interest payable	9,714	
Decrease in compensated absences	7,848	
(Increase) in net pension liability	(2,989,001)	
Change in deferred outflows of resources related to pensions	5,011,146	
Change in deferred inflows of resources related to pensions	(2,512,253)	
Decrease in net OPEB liability	676,152	
Change in deferred outflows of resources related to OPEB	(322,208)	
Change in deferred inflows of resources related to OPEB	(417,297)	
		(535,899)
Change in net position of governmental activities		$ 1,649,956

See accompanying notes to financial statements.

Tecumseh Public Schools

Fiduciary Funds

STATEMENT OF FIDUCIARY NET POSITION

June 30, 2018

	Private Purpose Trust Fund	Agency Fund
ASSETS		
Cash and cash equivalents	$ 108,577	$ 284,763
Accounts receivable	-	1,000
TOTAL ASSETS	$ 108,577	$ 285,763
LIABILITIES		
Due to student groups	$ -	$ 285,763
NET POSITION		
Held in trust for private purposes	$ 108,577	

See accompanying notes to financial statements.

Tecumseh Public Schools

Fiduciary Funds

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

Year Ended June 30, 2018

	Private Purpose Trust Fund
ADDITIONS	
Interest	$ 555
DEDUCTIONS	-
CHANGE IN NET POSITION	555
Net position, beginning of year	108,022
Net position, end of year	$ 108,577

See accompanying notes to financial statements.

NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

1. Reporting Entity

As required by accounting principles generally accepted in the United States of America; these financial statements present the financial activities of the District. The District has no activities that would be classified as component units.

Based upon the application of these criteria, the financial statements of the District contain all the funds controlled by the District.

2. Basis of Presentation

DISTRICT-WIDE FINANCIAL STATEMENTS

The statement of net position and the statement of activities (the district-wide financial statements) present information for the District as a whole. All non-fiduciary activities of the District are included (i.e., fiduciary fund activities are not included in the district-wide financial statements). Interfund activity has been eliminated in the preparation of the district-wide financial statements.

The statement of activities presents the direct functional expenses of the District and the program revenues that support them. Direct expenses are specifically associated with a service, program, or department and are therefore clearly identifiable to a particular function. Program revenues are associated with specific functions and include charges to recipients of goods or services and grants and contributions that are restricted to meeting the operational or capital requirements of that function. Revenues that are not required to be presented as program revenues are general revenues. This includes all taxes, interest, and unrestricted State aid payments and other general revenues and shows how governmental functions are either self-financing or supported by the general revenues of the District.

FUND FINANCIAL STATEMENTS

The District uses funds to maintain its financial records during the year. A fund is defined as a fiscal accounting entity with a self-balancing set of accounts. The District utilizes governmental and fiduciary funds.

The governmental fund financial statements present the District's individual major funds and aggregated nonmajor funds. A separate column is shown for each major fund on the balance sheet and statement of revenues, expenditures, and changes in fund balances. Nonmajor funds are combined and shown in a single column. Fiduciary funds are reported by type.

The major governmental funds of the District are:

a. General Fund - The General Fund is used to account for money or other resources provided to the District to support the educational programs and general operations of the District.

b. 2015 Debt Service Fund - The 2015 Debt Service Fund was established to account for resources for payment of debt related to bonds.

NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

3. Measurement Focus

The district-wide and fiduciary private-purpose trust fund financial statements are presented using the economic resources measurement focus, similar to that used by business enterprises or not-for-profit organizations. Because another measurement focus is used in the governmental fund financial statements, reconciliations to the district-wide financial statements are provided that explain the differences in detail.

All governmental funds are presented using the current financial resources measurement focus. With this measurement focus, only current assets, deferred outflows of resources, current liabilities, and deferred inflows of resources, when applicable, are generally included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in fund balance.

There is no measurement focus for fiduciary agency funds since assets equal liabilities.

4. Basis of Accounting

Basis of accounting refers to the timing under which transactions are recognized for financial reporting purposes. Governmental fund financial statements use the modified accrual basis of accounting. The district-wide and fiduciary fund financial statements are prepared using the accrual basis of accounting.

Under the accrual basis of accounting, revenue is recorded in the period in which it is earned and expenses are recorded when incurred, regardless of the timing of related cash flows. Property tax revenue is recognized in the fiscal year for which it is levied. Revenues for grants, entitlements, and donations are recognized when all eligibility requirements imposed by the provider have been met. Unearned revenue is recorded when resources are received by the District before it has legal claim to them, such as when grant monies are received prior to the incurrence of qualified expenses.

Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available). “Measurable” means the amount of the transaction can be determined and “available” means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected with sixty (60) days of the end of the current period. Revenues susceptible to accrual include property taxes, state and federal aid, and interest revenue. Other revenues are not susceptible to accrual because generally they are not measurable until received in cash. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt which are recorded when due.

The District reports unearned revenue on its financial statements, when applicable. Unearned revenues arise when the District receives resources before it has a legal claim to them. In subsequent periods, when revenue recognition criteria are met, the unearned revenue is removed from the balance sheet and revenue is recognized.

If/when both restricted and unrestricted resources are available for use, it is the District’s policy to use restricted resources first, then unrestricted resources as they are needed.

5. Budgets and Budgetary Accounting

Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. Annual appropriated budgets are adopted for the General and Special Revenue Funds. The District does not maintain a formalized encumbrance accounting system. All unexpended appropriations lapse at fiscal year end.

NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

5. Budgets and Budgetary Accounting - continued

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

a. The Superintendent submits to the School Board a proposed operating budget for the fiscal year commencing on July 1. The operating budget includes proposed expenditures and the means for financing them.

b. Public hearings are conducted to obtain taxpayer comments.

c. Prior to July 1, the budget is legally adopted by School Board resolution pursuant to the Uniform Budgeting and Accounting Act (P.A. 621 of 1978). The Act requires that the budget be amended prior to the end of the fiscal year when necessary to adjust appropriations if it appears that revenues and other financing sources will not be in excess of original estimates. Expenditures shall not be made or incurred, unless authorized in the budget, in excess of the amounts appropriated.

d. The budgets are legally adopted at the functional level; however, they are maintained at the object level for control purposes. Any revisions that alter the total expenditures at the functional level must be approved by the School Board.

e. Formal budgetary integration is employed as a management control device during the year for the General and Special Revenue Funds.

f. The budget, as presented, has been amended in a legally permissible manner. Supplementary appropriations were made during the year.

6. Cash and Cash Equivalents

Cash and cash equivalents consist of checking accounts and money market savings accounts. The cash equivalents are recorded at fair value.

7. Short-term Interfund Receivables/Payables

While operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as “due from other funds” and “due to other funds” on the governmental funds balance sheet.

8. Due From Other Governmental Units

Due from other governmental units consists of various amounts owed to the District for grant programs and State Aid payments. The State of Michigan’s funding stream of State Aid payments results in the final two (2) payments, related to the fiscal year ended June 30, 2018, to be paid in July and August 2018. Of the total amount of $4,505,321 due from other governmental units in the district-wide financial statements, $4,203,357 consists of State Aid and $301,964 is from other governmental grants.

9. Prepaids

Prepaid expenditures in the governmental funds, such as insurance premiums, which are expected to be written off within the next fiscal year, are included in net current assets. Reported prepaid expenditures are equally offset by no spendable fund balance, which indicates they do not constitute “available spendable resources” even though they are a component of fund balance.

NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

10. Inventories

Inventories are stated at cost on a first in/first out basis. The Food Service Fund inventory mainly consists of food and miscellaneous paper goods. Inventory that will be sold, rather than used in providing services (i.e., food in the Food Service Fund), and for which the proceeds from the sales are restricted for food service activities are not classified as "nonspendable" but instead are reflected as a component of restricted fund balance in accordance with GASB Statement No. 54.

11. Capital Assets

Capital assets are recorded (net of accumulated depreciation, if applicable) in the district-wide financial statements. Capital assets are those with an initial individual cost of $5,000 or more and an estimated useful life greater than one (1) year. Capital assets are not recorded in the governmental funds. Instead, capital acquisition and construction are reflected as expenditures in governmental funds, and the related assets are reported in the district-wide financial statements. All purchased capital assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated capital assets are valued at their estimated fair market value on the date received.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Depreciation is computed using the straight-line method over the following useful lives:

Buildings and building improvements	20-50 years
Furniture and equipment	5-20 years
Vehicles and buses	5-10 years

12. Deferred Outflows

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/ expenditure) until then. The District has three items that qualify for reporting in this category. They are the deferred charge on refunding, pension and other postemployment benefits related items reported in the government-wide statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. A deferred outflow is recognized for pension and other postemployment benefit related items. These amounts are expensed in the plan year in which they apply.

13. Deferred Inflows

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources,* represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The District has three items that qualifies for reporting in this category. The first is restricted section 147c state aid deferred to offset deferred outflows related to section 147c pension and other postemployment benefit contributions subsequent to the measurement period. The second and third items are future resources yet to be recognized in relation to the pension and other postemployment benefit actuarial calculation. These future resources arise from differences in the estimates used by the actuary to calculate the pension and other postemployment benefit liability and the actual results. The amounts are amortized over a period determined by the actuary.

NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

14. Unearned Revenues

The unexpended balance of various federal and/or state categorical and local grants is carried forward as unearned revenue until the period in which eligible expenditures are incurred. Other monies collected in advance are also presented as unearned. These same amounts have been shown as "unearned revenue" on the Statement of Net Position and the Balance Sheet, when applicable, to indicate that the revenue has not been recognized because it has not been earned.

15. Compensated Absences

Based on the requirements of GASB Statement No. 16, *Accounting for Compensated Absences*, the District has recorded all liabilities associated with compensated absences. Accumulated vested severance amounts and nonvested severance amounts that are probable to vest and be paid at termination are considered payable from future resources and are recorded, along with the related payroll taxes, as a long-term liability in the district-wide financial statements.

16. Accrued Interest Payable

Accrued interest payable is related to long-term obligations in the district-wide financial statements, is due within one (1) year, and is reported as a current liability in the district-wide financial statements.

17. Long-term Obligations

Long-term debt is recognized as a liability in the district-wide financial statements when incurred. The portion of those liabilities expected to be paid within the next year is a current liability with the remaining amounts shown as noncurrent.

Long-term debt is recognized as a liability of a governmental fund when due or when resources have been accumulated in the Debt Service Funds for payment early in the following year. For other long-term obligations, only that portion expected to be financed from expendable available financial resources is reported as a liability of a governmental fund.

18. Defined Benefit Plans

For purposes of measuring the net pension and other postemployment benefit liability, deferred outflows of resources and deferred inflows of resources related to pensions and other postemployment benefits, and pension and other postemployment benefits expense, information about the fiduciary net position of the Michigan Public Employees Retirement System (MPSERS) and additions to/deductions from MPSERS fiduciary net position have been determined on the same basis as they are reported by MPSERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

19. Property Taxes

Property taxes levied by the District are collected by various municipalities and periodically remitted to the District. The taxes are levied as of December 1 and are due upon receipt of the billing by the taxpayer. The actual due date is February 14, after which time the bills become delinquent and penalties and interest may be assessed by the collecting entity. School District property tax revenues are recognized when levied to the extent that they result in current revenue (collected as of year-end). Amounts received subsequent to June 30 are recognized as revenue when collected.

NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

19. Property Taxes - continued

The District's General Fund levies taxes of $17.8399 per $1,000 of taxable valuation on most nonprimary residency exempt property and $6.0000 per $1,000 of taxable valuation on commercial personal property for general governmental services. The District also levies $0.2500 and $7.2000 per $1,000 of taxable valuation on the total applicable taxable valuation of all property within the District for community services and debt service, respectively. The District is also permitted to levy additional amounts for enhancement and/or debt service if voter approval is obtained. Total 2017 taxable value of the District was $574,079,375.

20. State Foundation Revenue

Beginning with the fiscal year ended June 30, 1995, the State of Michigan adopted a foundation grant approach, which provides for a specific annual amount of revenue per student based on a state-wide formula. Prior to the fiscal year ended June 30, 1995, the State utilized a district power equalizing approach. The foundation is funded from state and local sources. Revenues from state sources are primarily governed by the School Aid Act and the School Code of Michigan. The Michigan Department of Education administers the allocation of state funds to school districts based on information supplied by the districts. For the year ended June 30, 2018, the foundation allowance was based on the average of pupil membership counts taken in October 2017 and February 2017. The average calculation was weighted 90% for the October 2017 count and 10% for the February 2017 count.

The State portion of the foundation is provided primarily by a state education property tax millage of 6 mills and an allocated portion of state sales and other taxes. The local portion of the foundation is funded primarily by nonhomestead property taxes which may be levied at a rate of up to 18 mills. The State revenue is recognized during the foundation period (currently the fiscal year) and is funded through nine (9) payments made during the fiscal year and two (2) payments made subsequent to year-end. The local revenue is recognized as outlined above under Property Taxes.

21. State Categorical Revenue

The District also receives revenue from the State to administer certain categorical education programs. State rules require that revenue earmarked for these programs be expended for its specific purpose. Categorical funds received which are not expended by the close of the fiscal year are recorded as unearned revenue.

22. Interfund Transactions

Interfund transactions are reported as either loans, services provided, reimbursements or transfers. Loans are reported as interbud receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures/expenses. Reimbursements are recorded when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers on the governmental fund financial statements. Transfers are netted as part of the reconciliation to the district-wide financial statements.

23. Restrictions of Net Position

Restrictions of net position shown in the district-wide financial statements indicate that restrictions imposed by the funding source or some other outside source which precludes their use for unrestricted purposes.

24. Federal Programs

Federal programs are accounted for in the specific governmental fund to which they relate. The District has chosen not to integrate its Single Audit reports and related financial data as part of the financial statements. The Single Audit reports and related financial data will be issued under separate cover as supplementary information to the financial statements.

NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

25. Comparative Data

Comparative data for the prior year has not been presented in the basic financial statements since their inclusion would make the statements unduly complex and difficult to read.

NOTE B: CASH AND CASH EQUIVALENTS

In accordance with Michigan Public Act 451 of 1976, Section 1223(1), as amended, the District is authorized to invest its surplus funds in the following types of investments:

1. Bonds, bills, or notes of the United States; obligations, the principal and interest of which are fully guaranteed by the United States; or obligations of the State.

2. Certificates of deposit issued by a State or National bank, savings accounts of a State or Federal savings and loan association, or certificates of deposit or share certificates of a State or Federal credit union organized and authorized to operate in this State.

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

4. Securities issued or guaranteed by agencies or instrumentalities of the United States government.

5. United States government or Federal agency obligation repurchase agreements.

6. Bankers' acceptances issued by a bank that is a member of the Federal Depository Insurance Corporation.

7. Mutual funds composed entirely of investment vehicles that are legal for direct investment by a school district.

8. Investment pools, as authorized by the Surplus Funds Investment Pool Act, Act No. 367 of the Public Acts of 1982, being sections 129.111 to 129.118 of the Michigan Compiled Laws, composed entirely of instruments that are legal for direct investment by a school district.

Michigan Public Acts authorize school districts in Michigan to deposit in the accounts of federally insured banks, credit unions, and savings and loan associations. Deposits of the District are at federally insured banks and credit unions in the State of Michigan in the name of the District.

Deposits

There is custodial credit risk as it relates to deposits. In the case of deposits, this is the risk that in the event of a bank failure, the District's deposits may not be returned to it. As of June 30, 2018, the carrying amount of the District's deposits was $5,035,801 and the bank balance was $5,242,126. $750,000 of the bank balance was insured by the Federal Depository Insurance Corporation, and the remaining $4,492,126 was uninsured and uncollateralized.

Credit Risk

State law limits investments in certain types of investments to a prime or better rating issue by nationally recognized statistical rating organizations (NRSRO'S). As of June 30, 2018, they had no investments that were subject to ratings.

NOTE B: CASH AND CASH EQUIVALENTS - CONTINUED

Interest Rate Risk

The District has adopted a policy that indicates how the District will minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by limiting the weighted average maturity of its investment portfolio to less than a given period of time.

Concentration of Credit Risk

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

Custodial Credit Risk

The District has not adopted a policy that indicates how the District will minimize custodial credit risk. Custodial credit risk is the risk of loss due to the failure of the security issuer or backer. The Board policy limits investments to the types of securities authorized by the Board and pre-qualifying the financial institutions, broker/dealers, intermediaries and advisors with which the District will do business in accordance with the Board approved policy.

As of June 30, 2018, the cash referred to above have been reported in the cash and cash equivalents caption in the basic financial statements as follows:

	Governmental Activities	Fiduciary Fund	Total
Cash and cash equivalents	$ 4,642,461	$ 393,340	$ 5,035,801

NOTE C: INTERFUND RECEIVABLES AND PAYABLES

The amount of interfund receivables and payables at June 30, 2018, are as follows:

Due to General Fund from:	
Nonmajor governmental fund	$ 38,259

Amounts appearing as interfund receivables and payables arise from two (2) types of transactions. One type of transaction is where a fund will pay for a good or service that at least a portion of the benefit belongs to another fund. The second type of transaction is where one fund provides a good or service to another fund. Balances at the end of the year are for transfers that have not cleared as of the balance sheet date.

NOTE D: INTERFUND TRANSFERS

Permanent reallocations of resources between funds of the reporting entity are classified as interfund transfers. For the purpose of the statement of activities, all interfund transfers between individual governmental funds have been eliminated.

Transfer to nonmajor governmental funds from:	
General Fund	$ 690,612

The transfer from the General Fund to the nonmajor governmental funds was to supplement operational expenses incurred during the year, and to fund various capital projects during the year.

NOTE E: CAPITAL ASSETS

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

	Balance July 1, 2017	Additions	Deletions	Balance June 30, 2018
Capital assets not being depreciated				
Land	$ 1,590,511	$ -	$ -	$ 1,590,511
Capital assets being depreciated				
Buildings and building improvements	72,714,182	523,241	-	73,237,423
Furniture and equipment	1,673,510	193,782	55,150	1,812,142
Vehicles	30,137	26,257	-	56,394
Total capital assets being depreciated	74,417,829	743,280	55,150	75,105,959
Less accumulated depreciation for:				
Buildings and building improvements	(27,022,611)	(1,618,832)	-	(28,641,443)
Furniture and equipment	(1,307,771)	(71,010)	(55,150)	(1,323,631)
Vehicles	(22,921)	(3,805)	-	(26,726)
Total accumulated depreciation	(28,353,303)	(1,693,647)	(55,150)	(29,991,800)
Net capital assets being depreciated	46,064,526	(950,367)	-0-	45,114,159
Capital assets, net	$ 47,655,037	$ (950,367)	$ -0-	$ 46,704,670

Total depreciation expense of $1,693,647 was not allocated to government functions. It appears on the statement of activities as “unallocated.”

NOTE F: LONG-TERM DEBT

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

	Balance July 1, 2017	Additions	Deletions	Balance June 30, 2018	Amounts Due within One Year
Governmental Activities					
General Obligation Bonds					
2008 Energy Conservation Bonds	$ 205,000	$ -	$ (205,000)	$ -0-	$ -
2015 Refunding Bonds, Series A	25,110,000	-	-	25,110,000	1,745,000
2015 Refunding Bonds, Series B	4,380,000	-	(3,035,000)	1,345,000	1,345,000
Total General Obligation Bonds	29,695,000	-0-	(3,240,000)	26,455,000	3,090,000
Installment Loans					
2010 Athletic Field Loan	240,000	-	(120,000)	120,000	120,000
2017 LED Lighting Loan	500,936	-	(333,460)	167,476	167,476
Total Installment Loans	740,936	-0-	(453,460)	287,476	287,476
Compensated absences	68,551	5,853	(13,701)	60,703	12,132
Total Primary Government	$ 30,504,487	$ 5,853	$ (3,707,161)	$ 26,803,179	$ 3,389,608

NOTE F: LONG-TERM DEBT - CONTINUED

Significant details regarding outstanding long-term debt (including current portions) are presented below:

General Obligation Bonds

$25,110,000 2015 Series A Refunding Bonds, dated February 5, 2015, due in annual installments ranging from $1,535,000 to $3,355,000, beginning May 1, 2019 through May 1, 2030, with interest of 5.00 percent, payable semi-annually.	$ 25,110,000
$9,790,000 2015 Series B Refunding Bonds, dated January 14, 2015, due in an annual installment of $1,345,000, through May 1, 2019, with interest of 2.00 percent, payable semi-annually.	1,345,000
	$ 26,455,000

Installment Loans

$1,200,000 2010 Athletic Field Loan, dated August 6, 2009, due in annual installments of $120,000 through July 1, 2019, with interest of 4.59 percent, payable semi-annually.	$ 120,000
$639,784 2017 LED Lighting Loan, dated September 13, 2016, due in an annual installment of $167,476, on July 1, 2018.	167,476
	$ 287,476

Advance Refunding - Prior

In 2015, the District defeased the portion of the General Obligation 2005 Refunding Bonds due and payable May 1, 2016 through May 1, 2030. This was accomplished by establishing an irrevocable trust with an escrow agent composed of cash and U.S. government securities sufficient to meet the applicable principal and interest obligations. The District issued General Obligation 2015 Refunding Bonds, Series A and B in the amounts of $25,110,000 and $9,790,000, respectively, to provide resources to fund the escrow amounts and pay the costs of issuance of the refunding bonds. Accordingly, the trust account assets and liabilities for the defeased bonds are not included in the District's financial statements. At June 30, 2018, bonds due and payable May 1, 2019 through May 1, 2030, for the General Obligation 2005 Refunding Bonds in the amount of $19,255,000, are considered defeased.

Compensated Absences - In accordance with District personnel policies and/or contracts negotiated with various employee groups of the District, individual employees have vested rights upon termination of employment to receive payment for unused vacation and sick leave under formulas and conditions specified in their respective personnel policies and/or contracts. The total liability amounted to approximately $60,703 as of June 30, 2018, and has been recorded in the district-wide financial statements.

NOTE F: LONG-TERM DEBT - CONTINUED

The annual requirements to pay the debt principal and interest outstanding for the long-term debt are as follows:

Year Ending	General Obligation Bonds		Installment Loans	
June 30,	Principal	Interest	Principal	Interest
2019	$ 3,090,000	$ 1,238,775	$ 287,476	$ 5,508
2020	3,200,000	1,088,250	-	-
2021	3,355,000	924,375	-	-
2022	2,155,000	786,625	-	-
2023	2,085,000	680,625	-	-
2024-2028	9,375,000	1,935,625	-	-
2029-2030	3,195,000	156,625	-	-
	$ 26,455,000	$ 6,810,900	$ 287,476	$ 5,508

NOTE G: RETIREMENT AND POST EMPLOYMENT BENEFITS

Plan Description

The Michigan Public School Employees' Retirement System (MPSERS) (System) is a cost-sharing, multiple employer, state-wide, defined benefit public employee retirement plan governed by the State of Michigan (State) originally created under Public Act 136 of 1945, recodified and currently operating under the provisions of Public Act 300 of 1980, as amended. Section 25 of this act establishes the board's authority to promulgate or amend the provisions of the System. MPSERS issues a publicly available Comprehensive Annual Financial Report that can be obtained at www://michigan.gov/mpsers-cafr.

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

Benefits Provided - Overall

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

Plan Name	Plan Type	Plan Status
Basic	Defined Benefit	Closed
Member Investment Plan (MIP)	Defined Benefit	Closed
Pension Plus	Hybrid	Closed
Pension Plus 2	Hybrid	Open
Defined Contribution	Defined Contribution	Open

Benefits Provided - Pension

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

NOTE G: RETIREMENT AND POST EMPLOYMENT BENEFITS - CONTINUED

Benefits Provided - Pension - continued

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

Pension Reform 2010

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

Pension Reform 2012

On September 4, 2012, the Governor signed Public Act 300 of 2012 into law. The legislation grants all active members who first became a member before July 1, 2010 and who earned service credit in the 12 months ending September 3, 2012, or were on an approved professional services or military leave of absence on September 3, 2012, a voluntary election regarding their pension. Any changes to a member's pension are effective as of the member's *transition date*, which is defined as the first day of the pay period that begins on or after February 1, 2013.

Under the reform, members voluntarily chose to increase, maintain, or stop their contributions to the pension fund.

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

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

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

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

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

NOTE G: RETIREMENT AND POST EMPLOYMENT BENEFITS - CONTINUED

Pension Reform 2012 - continued

Option 4: Members voluntarily elected to no longer contribute to the pension fund and therefore are switched to the Defined Contribution plan for future service as of their transition date. As a DC participant they receive a 4% employer contribution to the tax-deferred 401(k) account and can choose to contribute up to the maximum amounts permitted by the IRS to a 457 account. They vest in employer contributions and related earnings in their 401(k) account based on the following schedule: 50% at 2 years, 75% at 3 years, and 199% at 4 years of service. They are 100% vested in any personal contributions and related earnings in their 457 account. Upon retirement, if they meet age and service requirements (including their total years of service), they would also receive a pension (calculated based on years of service and final average compensation as of the day before their transition date and a 1.5% pension factor).

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

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

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

Pension Reform of 2017

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

Benefits Provided - Other Postemployment Benefit (OPEB)

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

NOTE G: RETIREMENT AND POST EMPLOYMENT BENEFITS - CONTINUED

Retiree Healthcare Reform of 2012

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

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

Regular Retirement (No Reduction Factor for Age)

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

Annual Amount - The annual pension is paid monthly for the lifetime of a retiree. The calculation of a member's pension is determined by their pension election under PA 300 of 2012.

Member Contributions

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

Employer Contributions

Employers are required by Public Act 300 of 1980, as amended, to contribute amounts necessary to finance the coverage of members and retiree Other Post-Employment Benefits (OPEB). Contribution provisions are specified by State statute and may be amended only by action of the State Legislature.

Employer contributions to the System are determined on an actuarial basis using the entry age normal actuarial cost method. Under this method, the actuarial present value of the projected benefits of each individual included in the actuarial valuation is allocated on a level basis over the service of the individual between entry age and assumed exit age. The portion of this cost allocated to the current valuation year is called the normal cost. The remainder is called the actuarial accrued liability. Normal cost is funded on a current basis.

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

NOTE G: RETIREMENT AND POST EMPLOYMENT BENEFITS - CONTINUED

Employer Contributions - continued

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

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

The District's pension contributions for the year ended June 30, 2018 were equal to the required contribution total. Pension contributions were approximately $4,017,464, with $3,942,163 specifically for the Defined Benefit Plan.

The District's OPEB contributions for the year ended June 30, 2018 were equal to the required contribution total. OPEB benefits were approximately $920,911, with $872,645 specifically for the Defined Benefit Plan.

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

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

Pension Liabilities

At June 30, 2018, the District reported a liability of $36,068,787 for its proportionate share of the net pension liability. The net pension liability was measured as of September 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation date of September 30, 2016 and rolled-forward using generally accepted actuarial procedures. The District's proportion of the net pension liability was based on a projection of its long-term share of contributions to the pension plan relative to the projected contributions of all participating reporting units, actuarially determined.

MPSERS (Plan) Non-University Employers	September 30, 2017
Total Pension Liability	$ 72,407,218,688
Plan Fiduciary Net Position	(46,492,967,573)
Net Pension Liability	25,914,251,115
Proportionate Share	0.13919%
Net Pension Liability for the District	$ 36,068,787

For the year ended June 30, 2018, the District recognized pension expense of $4,559,111.

NOTE G: RETIREMENT AND POST EMPLOYMENT BENEFITS - CONTINUED

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

Pension Liabilities - Continued

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in proportion and differences between employer contributions and proportionate share of contributions	$ 2,357,614	$ 22,342
Differences between expected and actual experience	313,462	176,982
Changes of assumptions	3,951,622	-
Net differences between projected and actual plan investment earnings	-	1,724,325
State aid related to pensions	-	1,730,817
Reporting unit's contributions subsequent to the measurement date	3,527,385	-
	$ 10,150,083	$ 3,654,466

$3,527,385 reported as deferred outflows of resources related to pensions resulting from District employer contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the subsequent fiscal year. $1,730,817 reported as deferred inflows of resources under State audit related to pensions will be recognized as an increase to State aid revenue in the year ended June 30, 2019.

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

Year Ending September 30,	Amount
2018	$ 1,477,861
2019	2,032,819
2020	1,083,798
2021	104,571

Defined Contribution Pension Plan

Benefit provisions of MPSERS also requires the District to contribute to a defined contribution tax-deferred investment account for all eligible employees. The District is required to match 50% of an employee's contributions up to 1% of an employee's salary. The retirement benefits are determined by the final average compensation and years of service with disability and survivor benefits available to members. The District contributions for the year ended June 30, 2018, was $75,301.

NOTE G: RETIREMENT AND POST EMPLOYMENT BENEFITS - CONTINUED

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

OPEB Liabilities

At June 30, 2018, the District reported a liability of $12,343,386 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of September 30, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation date of September 30, 2016 and rolled-forward using generally accepted actuarial procedures. The District's proportion of the net OPEB liability was based on a projection of its long-term share of contributions to the OPEB plan relative to the projected contributions of all participating reporting units, actuarially determined.

MPSERS (Plan) Non-University Employers	September 30, 2017
Total Other Postemployment Benefit Liability	$ 13,920,945,991
Plan Fiduciary Net Position	5,065,474,936
Net Other Postemployment Benefit Liability	8,855,471,055
Proportionate Share	0.13938712%
Net Other Postemployment Benefit Liability for the District	$ 12,343,386

For the year ended June 30, 2018, the District recognized OPEB expense of $825,717.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in proportion and differences between employer contributions and proportionate share of contributions	$ 438	$ -
Differences between expected and actual experience	-	131,421
Net differences between projected and actual plan investment earnings	-	285,876
Reporting unit's contributions subsequent to the measurement date	863,222	-
	$ 863,660	$ 417,297

$863,222, reported as deferred outflows of resources related to OPEB resulting from District employer contributions subsequent to the measurement date, will be recognized as a reduction of the net OPEB liability in the subsequent fiscal year.

NOTE G: RETIREMENT AND POST EMPLOYMENT BENEFITS - CONTINUED

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB - continued

OPEB Liabilities - Continued

Other amounts reported as deferred outflows of resources and (deferred inflows) of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ending September 30,	Amount
2018	$ (100,743)
2019	(100,743)
2020	(100,743)
2021	(100,743)
2022	(13,887)

Defined Contribution OPEB Plan

Benefit provisions of MPSERS also requires the District to contribute to a defined contribution tax-deferred investment account for all eligible employees. The District is required to match 50% of an employee's contributions up to 1% of an employee's salary. The retirement benefits are determined by the final average compensation and years of service with disability and survivor benefits available to members. The District contributions for the year ended June 30, 2018, was $48,266.

Actuarial Assumptions

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

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

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

Inflation: 3.0%

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

Experience Study: The annual actuarial valuation report of the System used for these statements is dated September 30, 2016. Assumption changes as a result of an experience study for the periods 2007 through 2012 have been adopted by the System for use in the annual pension valuations beginning with the September 30, 2014 valuation.

The Long-Term Expected Rate of Return on Pension and Other Postemployment Benefit Plan Investments: The pension rate was 7.5% (7% Pension Plus Plan), and the other postemployment benefit rate was 7.5%, net of investment and administrative expenses was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

NOTE G: RETIREMENT AND POST EMPLOYMENT BENEFITS - CONTINUED

Actuarial Assumptions - continued

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

Healthcare Cost Trend Rate for Other Postemployment Benefit: 7.5% for year one and graded to 3.5% to year twelve.

Additional Assumptions for Other Postemployment Benefit Only: Applies to individuals hired before September 4, 2012:

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

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

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

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

Investment Category	Target Allocation	Long-term Expected Real Rate of Return*
Domestic Equity Pools	28.0%	5.6%
Private Equity Pools	18.0%	8.7%
International Equity	16.0%	7.2%
Fixed Income Pools	10.5%	(0.1)%
Real Estate and Infrastructure Pools	10.0%	4.2%
Absolute Return Pools	15.5%	5.0%
Short Term Investment Pools	2.0%	(0.9)%
	100.0%	

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

Pension Discount rate: The discount rate used to measure the total pension liability was 7.5% (7.0% for Pension Plus Plan). This discount rate was based on the long-term rate of return on pension plan investments of 7.5% (7.0% for the Pension Plus Plan). The projection of cash flows used to determine the discount rate assumed that plan members contributions will be made at the current contribution rate and that contributions from school districts will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those 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.

NOTE G: RETIREMENT AND POST EMPLOYMENT BENEFITS - CONTINUED

Actuarial Assumptions - continued

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

Sensitivity of the Net Pension Liability to Changes in the Discount Rate: The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.5% (7.0% for Pension Plus Plan), as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	Pension		
	1% Decrease (6.5% / 6.0%)	Discount Rate (7.5% / 7.0%)	1% Increase (8.5% / 8.0%)
District's proportionate share of the net pension liability	$ 46,985,632	$ 36,068,787	$ 26,877,498

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate: The following presents the District's proportionate share of the net OPEB liability calculated using the discount rate of 7.5%, as well as what the District's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	Other Postemployment Benefit		
	1% Decrease (6.5%)	Discount Rate (7.5%)	1% Increase (8.5%)
District's proportionate share of the net other postemployment benefit liability	$ 14,457,673	$ 12,343,386	$ 10,549,019

Sensitivity to the Net OPEB Liability to Changes in the Healthcare Cost Trend Rates: The following presents the District's proportionate share of the net other postemployment benefit liability calculated using the healthcare cost trend rate of 7.5% (decreasing to 3.5%), as well as what the District's proportionate share of the net other postemployment benefit liability would be if it were calculated using a healthcare cost trend rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

Pension and OPEB Plan Fiduciary Net Position

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

Payable to the Pension and OPEB Plan: At year end the School District is current on all required pension and other postemployment benefit plan payments. Amounts accrued at year end for accounting purposes are separately stated in the financial statements as a liability titled accrued retirement. These amounts represent current payments for June paid in July, accruals for summer pay primarily for teachers, and the contributions due from state revenue Section 147c restricted to fund the MPSERS Unfunded Actuarial Accrued Liability (UAAL).

NOTE G: RETIREMENT AND POST EMPLOYMENT BENEFITS - CONTINUED

Other Information

On December 20, 2017, the Michigan Supreme Court affirmed that Public Act 75 of 2010 is unconstitutional as it substantially impaired the employee's employment contracts by involuntarily reducing the employee's wages by 3%. As a result, the funds collected pursuant to Public Act 75 before the effective date of Public Act 300 of 2012, must be refunded to the employees in accordance with the Michigan Court of Clams judgment on the aforementioned court case. Effective September 30, 2017, the 3% contribution collected under Public Act 75, which amounted to approximately $554 million (including interest), was posted as a liability on the plan's CAFR report.

NOTE H: RISK MANAGEMENT

The District participates in a pool, the MASB-SEG Property and Casualty Pool with other school districts for boiler and machinery, property, fleet, liability, in-land marine, data breach, terrorism and school violent acts, employee dishonestly, crime, and error and omissions. The pool is organized under Public Act 138 of 1982, as amended as a governmental group property and casualty self-insurance pool. In the event the pool's claims and expenses for a policy year exceed the total normal annual premiums for said years, all members of the specific pool's policy year may be subject to special assessment to make up the deficiency. The District has not been informed of any special assessments being required.

The District also participates in a pool, the SEG Self-Insurer Workers' Disability Compensation Fund, with other school districts for workers' compensation losses. The pool is organized under Public Act 317 of 1969, as amended. In the event the pool's claims and expenses for a policy year exceed the total normal annual premiums for said years, all members of the specific pool's policy year may be subject to special assessment to make up the deficiency. The District has not been informed of any special assessments being required.

NOTE I: DETAILS OF FUND BALANCE CLASSIFICATIONS

GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, established fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. The following are the five classifications of fund balance under this standard:

Nonspendable - assets that are not available in a spendable form such as inventory, prepaid expenditures, and long-term receivables not expected to be converted to cash in the near term. It also includes funds that are legally or contractually required to be maintained intact such as the corpus of a permanent fund or foundation.

Restricted - amounts that are required by external parties to be used for a specific purpose. Constraints are externally imposed by creditors, grantors, contributors, laws, regulations, or enabling legislation.

Committed - amounts constrained on use imposed by formal action of the government's highest level of decision making authority (i.e., Board, Council, etc.).

Assigned - amounts intended to be used for specific purposes. This is determined by the governing body, the budget or finance committee or a delegated municipality official.

Unassigned - all other resources; the remaining fund balance after nonspendable, restrictions, commitments, and assignments. This class only occurs in the General Fund, except for cases of negative fund balances. Negative fund balances are always reported as unassigned, no matter which fund the deficit occurs in.

NOTE I: DETAILS OF FUND BALANCE CLASSIFICATIONS - CONTINUED

Fund Balance Classification Policies and Procedures

For committed fund balance, the District's highest level of decision-making authority is the Board of Education. The formal action that is required to be taken to establish, modify, or rescind a fund balance commitment is through a resolution by the Board of Education and committed fund balances do not lapse at year end.

For assigned fund balance, the District has not approved a policy indicating who is authorized to assign amounts to a specific purpose. As a result, this authority is retained by the Board of Education.

For the classification of fund balances, the District considers restricted or unrestricted amounts to have been spent when an expenditure is incurred for the purposes for which both restricted and unrestricted fund balance is available. Also for the classification of fund balances, the District considers committed, assigned, or unassigned amounts to have been spent when an expenditure is incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

NOTE J: CONTINGENT LIABILITIES

The District participates in a number of Federal and State assisted grant programs that are subject to compliance audits. The Single Audit of the Federal Programs and the periodic program compliance audits of many of the programs have not yet been completed or final resolution has not been received. Accordingly, the District's compliance with applicable grant requirements will be established at some future date. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time although the District expects such amounts, if any, to be immaterial.

NOTE K: TAX ABATEMENTS

Municipalities within the District's boundaries such as the City of Tecumseh have entered into property tax abatement agreements with local business under the Plant Rehabilitation and Industrial Development Districts Act, (known as the Industrial Facilities Exemption) PA 198 of 1974, as amended. The IFT on a new plant and non-industrial property, such as some high-tech personal property, is computed at 50% of the property tax bill for new property. For rehabilitation properties, the taxable values can be frozen.

For the year ended June 30, 2018, the District's property tax revenue for general operations, debt service, and community service were reduced under this program by the following:

City of Tecumseh	$ 14,607
Raisin Township	56,485
	$ 71,092

NOTE L: NEW ACCOUNTING STANDARDS

For the year ended June 30, 2018, the District implemented the following new pronouncements: GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions.*

Summary

GASB Statement No. 75 requires governments that participate in defined benefit other post-employment benefit (OPEB) plans to report in the statement of net position a net OPEB liability. The net OPEB liability is the difference between the total OPEB liability (the present value of projected benefit payments to employees based on their past service) and the assets (mostly investments reported at fair value) set aside in a trust and restricted to paying benefits to current employees, retirees, and their beneficiaries. The Statement requires cost-sharing employers to record a liability and expense equal to their proportionate share of the collective net OPEB liability and expense for the cost-sharing plan. The Statement also will improve the comparability and consistency of how governments calculate the OPEB liabilities and expense.

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

	Governmental Activities
Net position as previously stated July 1, 2017	$ (5,244,804)
Adoption of GASB Statement 75	
Net other postemployment benefit liability	(13,019,538)
Deferred outflows of resources related to subsequent OPEB contributions	1,185,868
Net position as restated July 1, 2017	$ (17,078,474)

NOTE M: UPCOMING ACCOUNTING PRONOUNCEMENTS

In January 2017, the GASB issued Statement No. 84, *Fiduciary Activities*. The Statement establishes criteria for identifying fiduciary activities for all state and local governments, focusing on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries for whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. The District is currently evaluating the impact this standard will have on the financial statements when adopted during the 2019-2020 fiscal year.

In June 2017, the GASB issued Statement No. 87, *Leases*. The Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. The District is currently evaluating the impact this standard will have on the financial statements when adopted during the 2020-2021 fiscal year.

In April 2018, the GASB issued Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements.* This Statement will improve financial reporting by providing users of financial statements with essential information that currently is not consistently provided. In addition, information about resources to liquidate debt and the risks associated with changes in terms associated with debt will be disclosed. As a result, users will have better information to understand the effects of debt on a government's future resource flows. The District is currently evaluating the impact this standard will have on the financial statements when adopted during the 2018-2019 fiscal year.

REQUIRED SUPPLEMENTARY INFORMATION

Tecumseh Public Schools

General Fund

BUDGETARY COMPARISON SCHEDULE

Year Ended June 30, 2018

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
REVENUES				
Local sources	$ 2,970,020	$ 2,970,236	$ 2,983,601	$ 13,365
State sources	23,170,394	23,520,579	23,475,102	(45,477)
Federal sources	314,500	343,163	335,213	(7,950)
TOTAL REVENUES	26,454,914	26,833,978	26,793,916	(40,062)
EXPENDITURES				
Current				
Instruction				
Basic programs	14,113,311	13,957,146	13,881,913	75,233
Added needs	3,289,203	3,328,778	3,235,422	93,356
Total instruction	17,402,514	17,285,924	17,117,335	168,589
Supporting services				
Student services	626,062	656,312	652,817	3,495
Instructional staff	1,124,707	1,140,954	1,126,268	14,686
General administration	554,199	622,926	614,059	8,867
School administration	1,585,282	1,631,534	1,608,475	23,059
Business services	323,334	275,197	259,988	15,209
Operations and maintenance services	2,420,644	2,880,492	2,909,476	(28,984)
Transportation	1,285,300	1,445,665	1,405,874	39,791
Central services	736,286	817,981	792,453	25,528
Athletics	798,900	796,640	803,439	(6,799)
Total supporting services	9,454,714	10,267,701	10,172,849	94,852
Community services	372,431	362,842	357,795	5,047
Debt service				
Principal retirement	325,000	325,000	325,000	-0-
Interest, fiscal, and other charges	144,216	89,216	72,143	17,073
Total debt service	469,216	414,216	397,143	17,073
TOTAL EXPENDITURES	27,698,875	28,330,683	28,045,122	285,561
EXCESS OF REVENUES (UNDER) EXPENDITURES	(1,243,961)	(1,496,705)	(1,251,206)	245,499
OTHER FINANCING SOURCES (USES)				
County special education allocation	1,200,000	1,250,000	1,265,675	15,675
Other transactions	172,000	204,571	338,758	134,187
Transfers out	(690,000)	(693,600)	(690,612)	2,988
TOTAL OTHER FINANCING SOURCES (USES)	682,000	760,971	913,821	152,850
NET CHANGE IN FUND BALANCE	(561,961)	(735,734)	(337,385)	398,349
Fund balance, beginning of year	6,038,321	6,038,321	6,038,321	-0-
Fund balance, end of year	$ 5,476,360	$ 5,302,587	$ 5,700,936	$ 398,349

Tecumseh Public Schools

SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY

Michigan Public School Employee Retirement Plan

Last Four Measurement Dates (ultimately ten years will be displayed)
(Amounts were determined as of 9/30 of each fiscal year)

	2017	2016	2015	2014
District's proportion of net pension liability (%)	0.13919%	0.13259%	0.12661%	0.12354%
District's proportionate share of net pension liability	$ 36,068,787	$ 33,079,786	$ 30,924,561	$ 27,212,093
District's covered employee payroll	11,864,745	11,429,731	11,642,219	10,743,210
District's proportionate share of net pension liability as a percentage of its covered employee payroll	304.00%	289.42%	265.62%	253.30%
Plan fiduciary net position as a percentage of total pension liability	64.21%	63.27%	63.17%	66.20%

Tecumseh Public Schools

SCHEDULE OF PENSION CONTRIBUTIONS

Michigan Public School Employee Retirement Plan

Last Four Fiscal Years (ultimately ten fiscal years will be displayed)
(Amounts were determined as of 6/30 of each fiscal year)

	2018	2017	2016	2015
Statutorily required contributions	$ 3,942,163	$ 3,638,387	$ 2,442,474	$ 2,276,127
Contributions in relation to statutorily required contributions	3,942,163	3,638,387	2,442,474	2,276,127
Contribution deficiency (excess)	$ -0-	$ -0-	$ -0-	$ -0-
District's covered employee payroll	$ 12,398,768	$ 12,195,788	$ 10,900,531	$ 10,362,928
Contributions as a percentage of covered employee payroll	31.79%	29.83%	22.41%	21.96%

Tecumseh Public Schools

SCHEDULE OF PROPORTIONATE SHARE OF NET OPEB LIABILITY

Michigan Public School Employee Retirement Plan

Last Measurement Date (ultimately ten fiscal years will be displayed)
(Amounts were determined as of 9/30 of each fiscal year)

	2017
District's proportion of net OPEB liability (%)	0.13939%
District's proportionate share of net OPEB liability	$ 12,343,386
District's covered employee payroll	11,864,745
District's proportionate share of net OPEB liability as a percentage of its covered employee payroll	104.03%
Plan fiduciary net position as a percentage of total OPEB liability	36.39%

Tecumseh Public Schools

SCHEDULE OF OPEB CONTRIBUTIONS

Michigan Public School Employee Retirement Plan

Last Fiscal Year (ultimately ten fiscal years will be displayed)
(Amounts were determined as of 6/30 of each fiscal year)

	2018
Statutorily required contributions	$ 872,645
Contributions in relation to statutorily required contributions	872,645
Contribution deficiency (excess)	$ -0-
District's covered employee payroll	$ 12,398,768
Contributions as a percentage of covered employee payroll	7.04%

NOTE A: MICHIGAN PUBLIC SCHOOL EMPLOYEE RETIREMENT PLAN

Changes of benefit terms: There were no changes of benefit terms in plan year 2017.

Changes of assumptions: There were no changes of assumptions in plan year 2017.

OTHER SUPPLEMENTARY INFORMATION

Tecumseh Public Schools

Nonmajor Governmental Funds

COMBINING BALANCE SHEET

June 30, 2018

	Food Service	Community Service	Building and Site Fund	Total
ASSETS				
Cash and cash equivalents	$ 140,027	$ 64,856	$ 37,894	$ 242,777
Accounts receivable	-	976	-	976
Due from other governmental units	31,524	-	-	31,524
Prepaids	80,792	-	-	80,792
Inventories	25,499	-	-	25,499
TOTAL ASSETS	$ 277,842	$ 65,832	$ 37,894	$ 381,568
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts payable	$ 43,024	$ 19,087	$ -	$ 62,111
Unearned revenue	16,901	-	-	16,901
Due to other funds	38,259	-	-	38,259
TOTAL LIABILITIES	98,184	19,087	-0-	117,271
FUND BALANCES				
Nonspendable				
Prepaids	80,792	-	-	80,792
Restricted				
Food and nutrition	98,866	-	-	98,866
Community service	-	46,745	-	46,745
Assigned				
Capital projects	-	-	37,894	37,894
TOTAL FUND BALANCES	179,658	46,745	37,894	264,297
TOTAL LIABILITIES AND FUND BALANCES	$ 277,842	$ 65,832	$ 37,894	$ 381,568

Tecumseh Public Schools

Nonmajor Governmental Funds

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCES

Year Ended June 30, 2018

	Food Service	Community Service	Building and Site Fund	Total
REVENUES				
Local sources	$ 395,581	$ 207,922	$ 232,050	$ 835,553
State sources	41,870	4,540	-	46,410
Federal sources	587,001	-	-	587,001
TOTAL REVENUES	1,024,452	212,462	232,050	1,468,964
EXPENDITURES				
Current				
Food service	1,012,045	-	-	1,012,045
Community service	-	223,254	-	223,254
Debt service				
Principal retirement	-	-	333,460	333,460
Capital outlay	-	-	824,512	824,512
TOTAL EXPENDITURES	1,012,045	223,254	1,157,972	2,393,271
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	12,407	(10,792)	(925,922)	(924,307)
OTHER FINANCING SOURCES				
Transfers in	3,612	37,000	650,000	690,612
NET CHANGE IN FUND BALANCES	16,019	26,208	(275,922)	(233,695)
Fund balances, beginning of year	163,639	20,537	313,816	497,992
Fund balances, end of year	$ 179,658	$ 46,745	$ 37,894	$ 264,297