MAYVILLE COMMUNITY SCHOOLS
Mayville, Michigan

REPORT ON FINANCIAL STATEMENTS
(with required supplementary and
additional supplementary information)
YEAR ENDED JUNE 30, 2017

TABLE OF CONTENTS

ANDERSON, TUCKEY, BERNHARDT & DORAN, P.C.
Certified Public Accountants

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Valerie J. Hartel, CPA	Timothy D. Franzel
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INDEPENDENT AUDITOR'S REPORT

Board of Education
Mayville Community Schools
Mayville, 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 Mayville Community Schools as of and for the year ended June 30, 2017, 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 Mayville Community Schools as of June 30, 2017, and the respective changes in financial position, thereof, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and other required supplementary information, 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 Mayville Community Schools' basic financial statements. The additional supplementary information, as identified in the table of contents, is presented for purposes of additional analysis and are not a required part of the basic financial statements.

The additional supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits 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 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 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 9, 2017 on our consideration of Mayville Community Schools' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the effectiveness of **Mayville Community School's** internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Mayville Community Schools' internal control over financial reporting and compliance.

Anderson, Tuckey, Bernhardt & Doran, P.C.

ANDERSON, TUCKEY, BERNHARDT & DORAN, P.C.
CERTIFIED PUBLIC ACCOUNTANTS
CARO, MICHIGAN

October 9, 2017

MAYVILLE COMMUNITY SCHOOLS
MANAGEMENT DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2017

As management of Mayville Community Schools (the "District"), a K12 school district located in Tuscola County, Michigan, we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2017. Please read it in conjunction with the District's financial statements, which immediately follow this section.

FINANCIAL HIGHLIGHTS

- Governmental Revenues decreased $379,611.
- Governmental Expenditures decreased $817,232.
- General Fund Revenues were $5.9 million, $134,217 more than General Fund Expenditures.
- State Aid Foundation Allowance increased by $120 to $7,511.
- The District's 2016 fall student count fell to 609, a decrease of 36 students from the fall of 2015.
- The total taxable value of property in the District increased 1.24%.

Overview of the Financial Statements

The District's financial statements consists of three parts: Management's discussion and Analysis (this section), the basic financial statements and other supplementary information.

The basic financial statements include two kinds of statements that present different views of the District:

- The first two statements are the District-wide financial statements that provide both short-term and long-term information about the District's overall financial status. These statements present an aggregate view of the District's finances and a longer-term view of those finances.
- The next statements are fund financial statements that focus on individual funds of the District. These 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 funds – the General Fund, the Debt Fund, and the Food Service Fund, with all other funds aggregated and presented in one column as non-major funds.

The statement of fiduciary assets and liabilities – agency fund presents financial information about the activities for which the District acts solely as an agent for the benefit of students and others.

District-wide financial statements. The District-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The statement of net position and the statement of activities, which appear first in the District's financial statements, include all assets, deferred outflows of resources, labilities, and deferred inflows of resources, and use the full accrual basis of accounting. This means that all of the current year's revenues and expenses are taken into account regardless of when cash is received.

The two District-wide financial statements report the District's net position and how it has changed. Net position – the difference between the District's assets, deferred outflows of resources, liabilities, and deferred inflows of resources – is one way to measure the District's financial health. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the direct is improving or deteriorating.

The relationship between revenues and expenses is the District's operating results. However, it should be noted that unlike most private-sector companies where improving shareholder wealth is the goal, the District, one must consider many nonfinancial factors such as the quality of education provided, breadth of curriculum offered, condition of school facilities, and the safety of the schools.

The statement of net position and statement of activities report the governmental activities for the District, which encompass all of the District's services including instruction, supporting services, community services, food services, and athletics. Property taxes, unrestricted state aid, state grants, 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, though the District may establish other funds to help control and manage money for particular purposes. It may also establish other funds to show that it is meeting legal responsibilities for using certain taxes, grants, and other money.

The fund level financial statements are reported on a modified accrual basis, which measures only those revenues that are "measurable" and "currently available." Expenditures are recognized to the extent that they are normally expected to be paid with current financial resources.

The fund financial statements are formatted to comply with the legal requirements of the Michigan Department of Education's Bulletin 1022. The District's major instructional and instructional support activities are reported in the General Fund. Additional activities are reported in their relevant funds including:

- Debt Service Fund
- Special Revenue Fund – consisting of the Food Service Fund.

In the fund financial statements, purchased capital assets are reported as expenditures in the year of acquisition. Assets are not capitalized at the fund level. The issuance of debt is recorded as a financial resource. The current year's payments of principal and interest on long-term obligations are recorded as expenditures. Future debt obligations are not recorded at the fund level.

The district is the trustee, or fiduciary, for its student activity funds. All of the District's fiduciary activities are reported in a separate statement of assets and liabilities – agency fund. 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.

District-Wide Financial Analysis

The statement of net position provides the perspective of the District as a whole. The table below provides a summary of the District's net position as of June 30, 2017 and 2016:

	Net Position		
	Governmental Activities		Percent
	2017	2016	Change
Assets			
Current and other assets	$3,163,258	$3,105,710	2.66%
Capital assets - net of accumulated depreciation	10,889,557	11,357,083	-4.34%
Total assets	14,052,815	14,462,793	-2.83%
Deferred Outflows of Resources			
Related to refunding	316,437	301,621	4.91%
Related to pensions	1,319,134	1,341,600	-1.67%
Total deferred outflows of resources	1,635,571	1,643,221	-.47%
Liabilities			
Current liabilities	2,790,514	2,470,217	12.97%
Long-term liabilities	19,236,163	20,453,191	-5.95%
Total liabilities	22,026,677	22,923,408	-3.91%
Deferred Inflows of Resources			
Related to pensions	447,650	29,786	1402.89%
State aid funding for pension	257,797	244,361	5.50%
Total deferred inflows of resources	705,447	274,147	157.32%
Net Position			
Net investment in capital assets	352,997	490,167	-27.98%
Restricted for Debt Service	318,119	205,493	54.83%
Unrestricted	(7,714,854)	(7,787,201)	-.93%
Total net position	$ (7,043,738)	$ (7,091,541)	-.67%

Net investment in capital assets, approximately $352,997, is the original cost of the District's capital assets, less depreciation, less the long-term debt outstanding used to finance the acquisition of those assets. This debt will be repaid mainly from voter-approved property taxes collected as the debt and interest payments come due. Restricted net position of approximately $318,119 is shown separately to recognize legal constraints from debt covenants and enabling legislation. These constraints limit the District's ability to use the restricted net position for day-to-day operations.

The remaining amount of net position, a deficit of approximately $7,714,854 represents the accumulated results of the current and all past years' operations. As noted earlier, this deficit in 2017 is a result of the requirement to report the District's net pension liability of approximately $8,613,802 on its statement of net position due to the implementation of GASB 68 effective June 30, 2015. The operating results of the General Fund will also have a significant impact on the change in unrestricted net position from year to year.

The results of this year's operations of the District as a whole are reported in the statement of activities, summarized in the table below, which shows the changes in net position for the fiscal year 2017 and 2016.

	Change in Net Position		
	Governmental Activities		Percent
	2017	2016	Change
Program Revenues			
Charges for services	$124,274	$112,696	10.27%
Grants and contributions	1,037,446	1,243,656	-16.58%
General Revenues			
Property taxes	1,483,455	1,472,631	.74%
Unrestricted state aid	4,374,245	4,532,651	-3.49%
Other	149,081	186,478	-20.05%
Total Revenues	7,168,501	7,548,112	-5.03%
Expenses			
Instruction	3,619,429	4,099,440	-11.71%
Supporting Services	2,188,576	2,507,756	-12.73%
Community Services	3,930	5,799	-32.23%
Food Services	348,069	340,551	2.21%
Capital Projects	418	-	100.00%
Interest on long-term debt	458,198	464,423	-1.34%
Unallocated depreciation	502,078	519,961	-3.44%
Total expenses	7,120,698	7,937,930	-10.30%
Change in net position	47,803	(389,818)	-112.26%
Net position, beginning of year	(7,091,541)	(6,701,723)	5.82%
Net position end of year	$ (7,043,738)	$ (7,091,541)	-.67%

Of the District's total revenues available to operate the District, 1.73% or approximately $124,300 came from fees charged to those who benefited from the programs. Revenues from other governments or organizations that subsidize certain programs with grants and other directed types of funding approximated 14.47% or approximately $1,037,400.

The State foundation allowance accounted for 61.02% or approximately $4,374,200 of the revenue available. This revenue is determined by a formula that incorporates pupil headcount, the annual per pupil allowance and the non-homestead property taxable values of the District.

The expense portion of the previous table shows the financial support of each functional area required during the year. The overall decrease of 10.30% is mostly due to the reduction of staff costs. Being in the business of educating children the largest expenses were incurred in instruction, which accounted for approximately $3,619,400 or 50.83% of total expenses. Support services cost approximately $2,188,600 or 30.74% of total expenses, which include such items as transportation, maintenance, supervision, counseling and a variety of similar services that support the District's mission of educating children.

The District experienced an increase in net position of approximately $47,803 or an 112.26% increase from fiscal 2016. Overall, revenue decreased 5.03%, while expenses decreased by 10.30%. It should be noted that under the accrual basis of accounting, property taxes collected for debt service are recognized as revenue, while only interest on the debt is recognized as expense. The increase in net position differs from the change in fund balance and a reconciliation appears later in the financial statements.

Student Enrollment. The District's student "Full Time Equivalent" (FTE) for the fall count of 2016-17 was 610 students. The following table summarizes fall student enrollments in the past five year:

Fiscal Year	Student FTE	Change From Prior Year
2016-17	609.76	(36)
2015-16	645.33	(21)
2014-15	666.43	(56)
2013-14	722.35	(7)
2012-13	729.48	(47)

The reduction in enrollment is directly related to the economic condition of the State of Michigan. Relocation of families out of the District for the reason of employment has had a significant impact on the student count.

Property Taxes. Local property taxes, of approximately $1,483,455 or 20.69% of total revenue, supported the remaining portion of the governmental activities. Property tax revenue increased by .74% due to taxable value increases in the district. The District levied 18 mills on all non-homestead property for operations (General Fund) for 2016-17. Under Michigan law, the tax levy is based on the taxable valuation of properties. Annually, the taxable valuation increase in property values is capped at lesser of the rate of the prior year's Consumer Price Index increase or 5 percent. The following table summarizes the local tax revenues as a percent of all general fund revenues for the past four years:

Fiscal Year	Local Property Tax Revenue	Change From Prior Year
2016-17	657,418	1.24%
2015-16	649,360	-0.93%
2014-15	655,463	7.18%
2013-14	611,543	-1.52%

Local revenues in the table include the receipt of delinquent taxes from prior years.

Financial Analysis of the District's Funds

As noted earlier, the District uses funds to help 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, and may provide more insight in the District's overall financial health. As the District completed this year, the governmental funds reported a combined fund balance of approximately $955,191 which is an increase of approximately $249,295 from the prior year.

Of the combined governmental funds balances, 26.36% or approximately $251,825 constitutes unassigned fund balance, which is available for spending at the District's discretion. District management has assigned approximately $214,754 of fund balance for compensated absences. Approximately $488,612 is restricted fund balance to indicate that it is not available for spending at the District's discretion. Of the restricted fund balance, approximately $72,486 is earmarked for capital improvements, approximately $382,690 is earmarked for payments on long-term debt and $33,436 is earmarked for food service.

The General Fund is the principal operating fund of the District. At the end of the current fiscal year, assigned fund balance of the General Fund was approximately $251,825 while total fund balance was approximately $466,579. As a measure of the General Fund's liquidity, it may be useful to compare total fund balance to total fund expenditures. Total funds balance represents 8.01% of total General Fund expenditures.

The fund balance of the District's General Fund increased by approximately $134,217 during the current fiscal year.

General Fund Budgetary Highlights

Over the course of the year, the District revises its budget as it attempts to deal with changes in revenues and expenditures. State law requires the budget to be amended to ensure expenditures do not exceed appropriations. A statement showing the District's original and final budget amounts, compared with amounts actually paid and received, is provided in the basic financial statements.

A summary of variances from actual versus the final amended budget is as follows:

- The District's General Fund revenues were approximately $19,900 more than the final amended budget, a variance of .34%.
- The District's General Fund expenditures were approximately $19,500 less than the final amended budget, a variance of .34%.

The variances between the original and final amended budget for the General Fund is mainly related to changes in health and retirement benefits, pupil count, state funding and other factors that were not known at the time of the original budget, along with various other small changes to budgeted revenues and expenditures.

Capital Asset and Debt Administration

Capital Assets. Represents a net decrease (including all additions and disposals) of approximately $467,500 from last year. More detailed information about capital assets is available in Note 4 of the financial statements.

This year's major capital asset additions includes the donation of a van and bus.

	Capital Assets (Net of Depreciation)	
	2017	**2016**
Land	$25,000	$25,000
Building and improvements	10,390,263	10,770,177
Land improvements	191,840	219,776
Furniture and equipment	183,796	226,899
Buses and other vehicles	98,658	115,231
Total capital assets, net	$10,889,557	$11,357,083

Debt Administration. At year-end, the District had approximately $11,140,200 in general obligation bonds and other long-term debt outstanding – a decrease of $320,314 from last year – as show in the below table. More detailed information about the District's long-term debt is presented in Note 6 to the financial statements, and in the Other Supplementary Information section.

	Long-Term Debt	
	2017	**2016**
General obligation bonds	$10,887,300	$11,204,393
Other long-term debt	252,937	256,158
Total long-term debt	$11,140,237	$11,460,551

Factors Bearing on the District's Future

We considered many factors when setting the District's 2017-18 fiscal year budget, including the anticipated decreases in state and federal funding due to the continued decline in student enrollment along with increased health care costs. The District has planned for these changes, as evidenced by the cost-saving measures implemented.

Approximately 89.6% of total General Fund revenues are from the foundation allowance, including property taxes. The State foundation allowance is determined by multiplying the blended student count by the foundation allowance per pupil. That makes our student count estimate one of the most important factors impacting our budget. In setting the budget for 2017-18, we assumed a reduction of 20 students based on the predictions of Stanfred Consultants, and a $120 increase in the Foundation allowance and related performance funding based on State budget documents.

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 the revenues to fund its appropriation to school districts. For fiscal year 2016-2017, District saw a foundation allowance of $7,511 which was $120 more than in 2015-16. A gain of 5 students over the predictions contributed to the positive direction of the 2016-17 budget, along with the implementation of cost-saving measures during the year. Based on the recommendations from Stanfred Consultants, we anticipate another decline in our K-12 enrollment.

The District is anticipating a modest increase to the fund balance in 2017-18 with continued cost saving measures and constant monitoring of the budget. We believe the 2017-18 foundation allowance will increase by $120 to $7,631 but student enrollment is projected to decline by approximately 20 students. The district continues to borrow in order to meet contingencies and cash flow.

The District's labor contract with the Education Association, which represents the District's teachers, was settled in 2016, and will expire in August of 2018.

Requests for Information

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

Barry Markwart, Superintendent
Mayville Community Schools
6250 Fulton Street, Mayville, MI 48744-9103

BASIC FINANCIAL STATEMENTS

MAYVILLE COMMUNITY SCHOOLS
STATEMENT OF NET POSITION
June 30, 2017

	GOVERNMENTAL ACTIVITIES
ASSETS	
Cash & cash equivalents	$ 155,104
Investments	1,906,598
Accounts receivable	16,633
Intergovernmental receivable	1,012,437
Restricted investments - capital projects funds	72,486
Capital assets not being depreciated	25,000
Capital assets, net of accumulated depreciation	10,864,557
TOTAL ASSETS	14,052,815
DEFERRED OUTFLOWS OF RESOURCES	
Deferred charge on bond refunding, net of amortization	316,437
Related to pensions	1,319,134
TOTAL DEFERRED OUTFLOWS OF RESOURCES	1,635,571
LIABILITIES	
Accounts payable	162,418
Note payable	1,468,000
Accrued salaries and related items	452,722
Accrued retirement	64,343
Accrued interest payable	77,294
Unearned revenue	47,861
Noncurrent liabilities:	
Due within one year	517,876
Due in more than one year	10,622,361
Net pension liability	8,613,802
TOTAL LIABILITIES	22,026,677
DEFERRED INFLOWS OF RESOURCES	
Related to pensions	447,650
State aid funding for pension	257,797
TOTAL DEFERRED INFLOWS OF RESOURCES	705,447
NET POSITION	
Net investment in capital assets	352,997
Restricted for debt service	318,119
Unrestricted	(7,714,854)
TOTAL NET POSITION	$ (7,043,738)

See notes to financial statements.

MAYVILLE COMMUNITY SCHOOLS
STATEMENT OF ACTIVITIES
Year Ended June 30, 2017

		Program Revenues		Governmental Activities
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Net (Expense) Revenue and Changes in Net Position
Governmental activities:				
Instruction	$ 3,619,429		$ 516,942	$ (3,102,487)
Support services	2,188,576	$ 37,159	221,547	(1,929,870)
Food services	348,069	87,115	298,957	38,003
Community services	3,930			(3,930)
Capital projects	418			(418)
Interest on long-term debt	458,198			(458,198)
Depreciation - unallocated	502,078			(502,078)
Total governmental activities	$ 7,120,698	$ 124,274	$ 1,037,446	(5,958,978)
General revenues:				
Property taxes, levied for general purposes				657,418
Property taxes, levied for debt service				826,037
State aid - unrestricted				4,374,245
Transfers from other districts				31,317
Interest and investment earnings				9,445
Other				108,319
Total general revenue				6,006,781
Change in net position				47,803
Net position, beginning of year				(7,091,541)
Net position, end of year				$ (7,043,738)

See notes to financial statements.

MAYVILLE COMMUNITY SCHOOLS
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2017

	GENERAL FUND	DEBT SERVICE	OTHER NONMAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
ASSETS				
CURRENT ASSETS:				
Cash & cash equivalents	$ 154,604		$ 500	$ 155,104
Investments	1,445,705	$379,368	81,525	1,906,598
Accounts receivable	948	15,685		16,633
Due from other funds	65,371			65,371
Intergovernmental receivable	1,001,859		10,578	1,012,437
Restricted investments			72,486	72,486
TOTAL ASSETS	$2,668,487	$395,053	$ 165,089	$ 3,228,629
LIABILITIES AND FUND BALANCES				
LIABILITIES:				
Accounts payable	$ 162,055	$ 363		$ 162,418
Interest payable	12,723			12,723
Note payable	1,468,000			1,468,000
Due to other funds	-	12,000	$ 53,371	65,371
Accrued salaries and related items	450,726		1,996	452,722
Accrued retirement	64,343			64,343
Unearned revenue	44,061		3,800	47,861
TOTAL LIABILITIES	2,201,908	12,363	59,167	2,273,438
FUND BALANCES:				
Restricted for:				
Debt service		382,690		382,690
Food service			33,436	33,436
Capital projects			72,486	72,486
Assigned for:				
Compensated absences	214,754			214,754
Unassigned	251,825			251,825
TOTAL FUND BALANCES	466,579	382,690	105,922	955,191
TOTAL LIABILITIES AND FUND BALANCES	$2,668,487	$395,053	$ 165,089	$ 3,228,629

See notes to financial statements.

MAYVILLE COMMUNITY SCHOOLS

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

Total Fund Balances - Governmental Funds	$ 955,191
Total net position reported for governmental activities in the statement of net position is different because:	
Deferred charge on bond refunding, net of amortization	316,437
Deferred outflows of resources-related to pensions	1,319,134
Deferred inflows of resources-related to pensions	(447,650)
Deferred inflows of resources-related to state pension funding	(257,797)
Capital assets used in governmental activities are not financial resources and are not reported in the funds.	
The cost of the capital assets is:	20,035,209
Accumulated depreciation is:	(9,145,652)
Long -term liabilities are not due and payable in the current period and are not reported in the funds:	
Accrued compensated absences	(214,754)
Accrued interest	(64,571)
Long-term debt obligations	(10,925,483)
Net pension liability	(8,613,802)
Net Position of Governmental Activities	$ (7,043,738)

See notes to financial statements.

MAYVILLE COMMUNITY SCHOOLS
Statement of Revenues, Expenditures, and Change in Fund Balances
Governmental Funds
Year Ended June 30, 2017

	GENERAL FUND	DEBT SERVICE	OTHER NONMAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
REVENUES:				
Local sources				
Property taxes	$ 657,418	$ 822,881		$ 1,480,299
Tuition	1,165			1,165
Investment earnings	7,171	1,770	$ 482	9,423
Food sales			87,136	87,136
Other	124,014			124,014
Total local sources	789,768	824,651	87,618	1,702,037
State sources	4,659,928	3,156	18,184	4,681,268
Federal sources	452,806		280,773	733,579
Incoming transfers and others	31,317			31,317
TOTAL REVENUES	5,933,819	827,807	386,575	7,148,201
EXPENDITURES:				
Current:				
Instruction	3,558,822			3,558,822
Supporting services	2,172,703			2,172,703
Community services	3,930			3,930
Other Transactions	2,086			2,086
Food services			345,821	345,821
Capital projects			12,470	12,470
Debt service:				
Principal	75,435	390,000		465,435
Interest	9,926	274,034		283,960
Bond issuance costs		86,424		86,424
TOTAL EXPENDITURES	5,822,902	750,458	358,291	6,931,651
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	110,917	77,349	28,284	216,550
OTHER FINANCING SOURCES (USES):				
Proceeds from bond refunding		7,460,000		7,460,000
Premium on bond refunding		660,507		660,507
Payment to refunded bond escrow agent		(8,091,062)		(8,091,062)
Transfer in	20,000			20,000
Transfer out	-		(20,000)	(20,000)
Sale of capital assets	3,300			3,300
TOTAL OTHER FINANCING SOURCES (USES)	23,300	29,445	(20,000)	32,745
CHANGE IN FUND BALANCES	134,217	106,794	8,284	249,295
FUND BALANCES - BEGINNING OF YEAR	332,362	275,896	97,638	705,896
FUND BALANCES - END OF YEAR	$ 466,579	$ 382,690	$ 105,922	$ 955,191

See notes to financial statements.

MAYVILLE COMMUNITY SCHOOLS

Reconciliation of the Governmental Funds Statement of
Revenues, Expenditures and Change in Fund Balances
to the Statement of Activities
Year Ended June 30, 2017

Total change in fund balances--governmental funds	$ 249,295
Total change in net position reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.	
Depreciation expense	(502,078)
Capital outlay	44,206
Net book value of assets disposed	(9,654)
Accrued interest on bonds is recorded in the statement of activities when incurred; it is not recorded in governmental funds until it is paid:	
Accrued interest payable, beginning of year	70,403
Accrued interest payable, end of year	(64,571)
The issuance of long-term debt provides current financial resources to governmental funds while the repayment of principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, where as these amounts are deferred and amortized in the statement of activities. The effect of these differences in the treatment of long-term debt and related items are as follows:	
Proceeds from refunding bonds	(7,460,000)
Premium on refunding bonds	(660,507)
Deferred charge on refunding	43,422
Payments on debt	8,415,435
Amortization of bond premium & discount	32,600
Amortization of deferred charge on refunding	(28,606)
Compensated absences and early retirement incentives are reported on the accrual method in the statement of activities, and recorded as an expenditure when financial resources are used in the governmental	
Accrued compensated absences at the beginning of the year	207,540
Accrued compensated absences at the end of the year	(214,754)
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.	
Pension related items	182,869
Restricted revenue reported in governmental funds that is deferred to offset the deferred outflows related to section 147c pension contributions subsequent to the measurement period.	
State aid funding for pension	(257,797)
Change in net position of governmental activities	$ 47,803

See notes to financial statements.

MAYVILLE COMMUNITY SCHOOLS
STATEMENT OF FIDUCIARY ASSETS & LIABILITIES
June 30, 2017

		AGENCY FUNDS
ASSETS		
Cash	$	212,378
Investments		69,865
TOTAL ASSETS	$	282,243
LIABILITIES		
Due to student groups	$	282,243
TOTAL LIABILITIES	$	282,243

See notes to financial statements.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

DESCRIPTION OF GOVERNMENT-WIDE FINANCIAL STATEMENTS:
The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the District. All fiduciary activities are reported only in the fund statements. *Governmental activities* normally are supported by taxes, intergovernmental revenues, and other nonexchange transactions.

REPORTING ENTITY:
Mayville Community Schools (the "District") is governed by the Mayville Community Schools Board of Education (the "Board"), which has responsibility and control over all activities related to public school education within the District. The District receives funding from local, state, and federal government sources and must comply with all the requirements of these funding source entities. However, the District is not included in any other governmental reporting entity as defined by the accounting principles generally accepted in the United States of America. Board members are elected by the public and have decision-making authority, the power to designate management, the ability to significantly influence operations, and the primary accountability for fiscal matters. In addition, the District's reporting entity does not contain any component units as defined in Governmental Accounting Standards Board Statement.

BASIS OF PRESENTATION – GOVERNMENT-WIDE FINANCIAL STATEMENTS:
While separate government-wide and fund financial statements are presented, they are interrelated. The government activities column incorporates data from governmental funds. Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from government-wide financial statements.

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

BASIS OF PRESENTATION – FUND FINANCIAL STATEMENTS:
The fund financial statements provide information about the District's funds, including its fiduciary funds. Separate statements for each fund category – government and fiduciary – are presented. The emphasis of fund financial statements is on major governmental funds. All remaining governmental funds are aggregated and reported as nonmajor funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

The District reports the following major governmental funds:

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

The *debt service fund* accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.

OTHER NON-MAJOR FUNDS:
The *special revenue funds* account for revenue sources that are legally restricted to expenditures for specific purposes (not including expendable trusts or major capital projects). The District accounts for its food service activities in a special revenue fund.

The *capital projects fund* accounts for the receipt of debt proceeds and the acquisition of fixed assets or construction of major capital projects.

The capital projects funds include capital activities funded with bonds issued in September 2004. Beginning with the year of bond issuance, the District has reported the annual construction activity in the Capital Projects Fund. The cumulative revenues and expenditures are as follows:

	Capital Projects Fund
Revenue and other financing sources	$ 15,060,441
Expenditures and other financing uses	$ 14,987,955

For these capital projects, the school district has complied with the applicable provisions of §1351a of the Revised School Code. The project for which the 2004 School Building and Site Bonds were issued was considered substantially completed on June 1, 2008.

Fiduciary funds account for assets held by the District in a trustee capacity or as an agent on behalf of others. Trust funds account for assets held by the District under the terms of a formal trust agreement. Fiduciary funds are not included in the government–wide statements.

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

During the course of operations the District has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds and advances to/from other funds. While these balances are reported in fund financial statements, they are eliminated in the preparation of the government-wide financial statements.

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements these amounts are reported at gross amounts as transfers in/out. While reported in the fund financial statements, they are eliminated in the preparation of the government-wide financial statements.

MEASUREMENT FOCUS AND BASIS OF ACCOUNTING:

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

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

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

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

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

The State of Michigan utilizes a foundation grant approach which provides for a specific annual amount of revenue per pupil based on a statewide formula. The foundation is funded from state and local sources. Revenues from state sources are primarily governed by the School Aid Act and the School Code of Michigan. The Michigan Department of Education administers the allocation of state funds to school districts based on information supplied by the districts. For the current year ended, the foundation allowance was based on the pupil membership counts.

The state portion of the foundation is provided primarily by a state education property tax millage of 6 mills on Principal Residence Exception (PRE) property and an allocated portion of state sales and other taxes. The local portion of the foundation is funded primarily by Non-PRE property taxes which may be levied at a rate of up to 18 mills as well as 6 mills for Commercial Personal Property Tax. The State revenue is recognized during the foundation period and is funded through payments from October to August. Thus, the unpaid portion at June 30th is reported as an intergovernmental receivable.

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. Certain governmental funds require an accounting to the state of the expenditures incurred. For categorical funds meeting this requirement, funds received and accrued, which are not expended by the close of the fiscal year are recorded as unearned revenue.

All other revenue items are generally considered to be measureable and available only when cash is received by the District.

BUDGETARY INFORMATION:

Budgetary basis of accounting:

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the general fund and special revenue fund. Capital projects funds are appropriated on a project-length basis. Other funds do not have appropriated budgets.

Appropriations in all budgeted funds lapse at the end of the fiscal year even if the have related encumbrances. Encumbrances are commitments related to unperformed (executor) contracts for goods or services (i.e., purchase orders, contracts, and commitments). The District does not utilize encumbrance accounting.

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

1. 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 of financing them. The level of control for the budgets is at the functional level as set forth and presented as required supplementary information.

2. Public hearings are conducted to obtain taxpayer comments.

3. Prior to July 1, the budget is legally adopted by School Board resolution pursuant to the Uniform Budgeting and Accounting Act (1968 PA2). The Act requires that the budget be amended prior to the end of the fiscal year when necessary to adjust appropriations if it appears that revenues and other financing sources will be less than anticipated or so that expenditures will not be in excess of original estimates. Expenditures shall not be made or incurred, unless authorized in the budget, or in excess of the amount appropriated. Violations, if any, in the general fund are noted in the required supplementary information section.

4. Transfers may be made for budgeted amounts between major expenditure functions within any fund; however, these transfers and any revisions that alter the total expenditures of any fund must be approved by the School Board.

5. The budget was amended during the year with supplemental appropriations, the last one approved prior to the year ended June 30, 2017. The District does not consider these amendments to be significant.

ASSETS, LIABILITIES, DEFERRED OUTFLOWS/INFLOWS OF RESOURCES, AND NET POSITION/FUND BALANCE:

1. Cash and cash equivalents

The District's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

2. Investments

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

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

3. Inventories and prepaid items

Inventories are valued at cost using the first-in/first-out (FIFO) method and consist of expendable supplies. The cost of such inventories is recorded as expenditures/expenses when consumed rather than when purchased.

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

4. Capital assets

Capital assets, which include property, plant equipment, and transportation vehicles, are reported in the government-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of more than $5,000 and an estimated useful life in excess of two years. Group purchases are evaluated on a case by case basis. Donated capital assets are recorded at their estimated acquisition value at the date of donation.

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

Land and construction in progress, if any, are not depreciated. The other property, plant, and equipment of the District are depreciated using the straight-line method over the following estimated useful lives:

Buildings and improvements	20 – 50 years
Land improvements	15 – 20 years
Equipment and furniture	5 – 20 years
Buses and other vehicles	5 – 10 years

5. Defined Benefit Plan

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Michigan Public 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.

6. Deferred outflows/inflows of resources

Deferred Outflow:
In addition to assets, the statement of financial position will sometimes report a separate section of 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 only has two items that qualifies for reporting in this category. They are a deferred charge on refunding and pension contributions 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 contributions made after the plans measurement date, but before the fiscal year end. The amount is expenses in the plan year in which it applies.

Deferred Inflow:
In addition to liabilities, the statement of financial 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 two items that qualify for reporting in this category. The first is the future resources yet to be recognized in relation to the pension actuarial calculation. These future resources arise from differences in the estimates used by the actuary to calculate the pension liability and the actual results. The amounts are amortized over a period determined by the actuary. The second is restricted section 147c state aid deferred to offset deferred outflows related to section 147c pension contributions subsequent to the measurement period.

7. Net position flow assumption

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

8. Fund balance flow assumptions

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

9. Fund balance policies

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

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

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

REVENUES AND EXPENDITURES/EXPENSES:

1. Program revenues

Amounts reported as program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment, and 2) grants and contributions that are restricted to meeting the operational requirements for a particular function or segment. All taxes, including those dedicated for specific purposes, unrestricted state aid, interest, and other internally dedicated resources are reported as general revenues rather than as program revenues.

2. Property taxes

Property taxes levied by the District are collected by various municipalities and periodically remitted to the District. The taxes are levied and become a lien as of July 1 and December 1 and are due upon receipt of the billing by the taxpayer and become a lien on the first day of the levy year. The actual due date is September 14 and February 14, after which time the bills become delinquent and penalties and interest may be assessed by the collecting entity.

For the year ended June 30, 2017, the District levied the following amounts per $1,000 of assessed valuation:

FUND	MILLS
General Fund:	
Non-Principle Residence Exemption (PRE)	18.0000
Commercial Personal Property	6.0000
Debt Service Fund:	
PRE, Non-PRE, Commercial Personal Property	5.4000

3. Compensated absences

The District's policy permits employees to accumulate earned but unused vacation and sick leave benefits, which are eligible for payment upon separation from service. The liability for such leave is reported as incurred in the government-wide financial statements. A liability for those amounts is recorded in the governmental funds only if the liability has matured as a result of employee resignations or retirements. The liability for compensated absences includes salary and related benefits, where applicable.

4. Long-term obligations

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

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

NOTE 2 - DEPOSITS AND INVESTMENTS:

As of June 30, 2017, the District had the following investments:

Investment Type	Fair value	Weighted Average Maturity (Years)	Standard & Poor's Rating	%
MILAF External Investment pool - MICMS	$ 743,650	0.0027	AAAm	36.29%
MILAF External Investment pool - MIMAX	1,305,299	0.0027	AAAm	63.71%
Total fair value	$ 2,048,949			100.0%
Portfolio weighted average maturity		0.0027		

1 day maturity equals 0.0027, one year equals 1.00

The District voluntarily invests certain excess funds in external pooled investment funds which included money market funds. One of the pooled investment funds utilized by the District is the Michigan Investment Liquid Asset Fund (MILAF). MILAF is an external pooled investment fund of "qualified" investments for Michigan school districts. MILAF is not regulated nor is it registered with the SEC. MILAF reports as of June 30, 2017, the fair value of the District's investments is the same as the value of the pool shares.

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

Credit risk. State law limits investments in commercial paper and corporate bonds to a prime or better rating issued by nationally recognized statistical rating organizations (NRSROs). As of June 30, the District did not have investments in commercial paper and corporate bonds.

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

Custodial credit risk - deposits. In the case of deposits, this is the risk that in the event of a bank failure, the District's deposits may not be returned to it. As of June 30, 2017, $225,566 of the District's bank balance of $475,566 was exposed to custodial credit risk because it was uninsured and uncollateralized with securities held by the pledging financial institution's trust department of agent, but not in the District's name. The carrying value on the books for deposits at the end of the year was $367,482.

Custodial credit risk - investments. For an investment, this is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

The District will minimize custodial credit risk, which is the risk of loss due to the failure of the security issuer or backer, by; limiting investments to the types of securities allowed by law; and pre-qualifying the financial institutions, broker/dealers, intermediaries and advisors with which the District will do business.

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

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

Level 2: Prices determined using other significant observable inputs. Observable inputs are inputs that other market participants may use in pricing a security. These may include prices for similar securities, interest rates, prepayment speeds, credit risk and others.

Level 3: Prices determined using significant unobservable inputs. In situations where quoted prices or observable inputs are unavailable or deemed less relevant, unobservable inputs may be used. Unobservable inputs reflect the District's own assumptions about the factors market participants would use in pricing and investment and would be based on the best information available.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

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

Foreign currency risk. The District is not authorized to invest in investments which have this type of risk.

At June 30, 2017, the carrying amounts is as follows:

Deposits - including fiduciary funds of $212,378	$	367,482
Investments - including fiduciary funds of $69,865		2,048,949
	$	2,416,431

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

Cash - District wide	$	155,104
Cash - Fiduciary Funds		212,378
Investments - Fiduciary Funds		69,865
Investments - District wide		1,906,598
Investments - Restricted for Capital Projects		72,486
	$	2,416,431

NOTE 3 – INTERGOVERNMENTAL RECEIVABLES:

Intergovernmental receivables at June 30, 2017 consist of the following:

Governmental Units:	
State aid	$ 847,063
Federal revenue	165,374
	$ 1,012,437

Amounts due from governmental units include amounts due from federal, state, and local sources for various projects and programs.

Because of the District's favorable collection experience, no allowance for doubtful accounts has been recorded.

NOTE 4 – CAPITAL ASSETS:

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

	BALANCE July 1, 2016	ADDITIONS	DELETIONS	BALANCE June 30, 2017
Governmental Activities:				
Assets not being depreciated – land	$ 25,000	$ -	$ -	$ 25,000
Capital assets being depreciated:				
Building & improvements	17,477,266			17,477,266
Land improvements	547,472			547,472
Equipment and furniture	1,389,846	27,206	$ (12,592)	1,404,460
Buses and other vehicles	620,661	17,000	(56,650)	581,011
Subtotal	20,035,245	44,206	(69,242)	20,010,209
Accumulated depreciation:				
Building & improvements	(6,707,089)	(379,914)		(7,087,003)
Land improvements	(327,696)	(27,936)		(355,632)
Equipment and furniture	(1,162,947)	(60,655)	2,938	(1,220,664)
Buses and other vehicles	(505,430)	(33,573)	56,650	(482,353)
Subtotal	(8,703,162)	(502,078)	59,588	(9,145,652)
Net capital assets being depreciated	11,332,083	(457,872)	(9,654)	10,864,557
Net governmental capital assets	$ 11,357,083	$ (457,872)	$ (9,654)	$ 10,889,557

Depreciation for the fiscal year ended June 30, 2017 amounted to $502,078. The District determined that it was impractical to allocate depreciation to various governmental activities as the assets serve multiple functions.

NOTE 5 – NOTE PAYABLE:

At June 30, 2017, the District has a note payable outstanding of $1,468,000. The note has an interest rate of 0.99% and matures August 28, 2017. The note is secured by the full faith and credit of the District as well as pledged state aid.

Balance June 30, 2016	Additions	Payments	Balance June 30, 2017
$1,570,000	$1,468,000	$1,570,000	$1,468,000

NOTE 6 - LONG-TERM DEBT:

The District issues general obligation bonds to provide funds for the acquisition, construction and improvement of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the District. Long-term obligations currently outstanding are as follows:

	Compensated Absences and Retirement Incentives	Bus Installment Purchase	General Obligation Bonds	Total
Balance - July 1, 2016	$ 207,540	$ 48,618	$ 11,204,393	$ 11,460,551
Additions	7,214		8,120,507	8,127,721
Deletions		(10,435)	(8,437,600)	(8,448,035)
Balance June 30, 2017	214,754	38,183	10,887,300	11,140,237
Due Within One Year	(32,233)	(10,643)	(475,000)	(517,876)
Total Due After One Year	$ 182,521	$ 27,540	$ 10,412,300	$ 10,622,361

Long-term obligation debt at June 30, 2017 is comprised of the following:

Energy Conservation Bonds	$ 145,000
2013 Refunding Bonds	2,615,000
2017 Refunding Bonds	7,460,000
School bus installment purchase agreement	38,183
Plus: Premium on bond refunding	784,142
Less: Discount on bond refunding	(116,842)
Total general obligation debt	10,925,483
Accumulated compensated absences	214,754
Total long-term debt	$ 11,140,237

Interest expense (all funds) for the year ended June 30, 2017 was $283,960

On December 1, 2003, the District issued Energy Conservation bonds for $870,000 in general obligation bonds, due in annual installments of $60,000 to $75,000 through May 1, 2019, with interest at a rate of 4.15% due semi-annually.

On November 26, 2013, the District refunded $7,860,000 of the 2004 term bonds and issued bonds totaling $3,755,000. The 2013 term bonds carry interest rates from 2.000% to 4.000%. The 2013 refunding enabled the District to reduce its total debt service payments over the next ten years by $307,538 and to obtain an economic gain (difference between the present value of the debt service payments on the old and new debt) of $181,639.

On August 1, 2015, the District purchased a school bus with an installment agreement, due in annual installments of $5,673, through January 1, 2020, with interest at a rate of 1.98%.

On February 7, 2017, the District refunded $7,950,000 of the 2007 term bonds and issued bonds totaling $7,460,000. The 2017 term bonds carry interest rates from 4.000% to 5.000%. The 2017 refunding enabled the District to reduce its total debt service payments over the next twenty years by $836,162 and to obtain an economic gain (difference between the present value of the debt service payments on the old and new debt) of $764,591.

The District has defeased certain general obligation bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account, assets and liabilities for the defeased bonds are not included in the District's financial statements. At June 30, 2017, $18,570,000 of bonds outstanding are considered defeased.

DEBT SERVICE REQUIREMENTS:
The annual requirements to amortize long-term debt outstanding as of June 30, 2017 are as follows:

YEAR ENDED JUNE 30,	PRINCIPAL	INTEREST	TOTAL
2018	$ 485,643	$ 466,738	$ 952,381
2019	505,855	400,554	906,409
2020	451,071	381,226	832,297
2021	470,614	363,406	834,020
2022	485,000	344,750	829,750
2023-2027	2,800,000	1,385,500	4,185,500
2028-2032	3,465,000	746,200	4,211,200
2033-2034	1,595,000	96,400	1,691,400
	10,258,183	4,184,774	14,442,957
Premium on bond refunding	784,142		784,142
Discount on bond refunding	(116,842)		(116,842)
Accumulated compensated absence	214,754	-	214,754
	$ 11,140,237	$ 4,184,774	$ 15,325,011

A fund balance amount of $382,690 is available in the debt service fund to service the general obligation debt.

NOTE 7 - OPERATING LEASES:

The District has an operating lease for various copy machines that includes a maintenance agreement. Future minimum payments are as follows:

June 30, 2018	$23,874

Lease and maintenance expense on the office equipment for the current year was $23,874.

NOTE 8 – INTERFUND RECEIVABLES AND PAYABLES:

Interfund receivable and payable balances at June 30, 2017 are as follows:

Receivable Fund			Payable Fund		
General Fund	$	65,371	Debt Service Fund	$	12,000
			Nonmajor Fund		53,371
	$	65,371		$	65,371

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

NOTE 9 - DEFINED BENEFIT PENSION PLAN AND POST-EMPLOYMENT BENEFITS:

Plan Description - The Michigan Public School Employees' Retirement System (MPSERS) is a cost-sharing, multiple employer, state-wide, defined benefit public employee retirement plan governed by the State of Michigan (State) originally created under Public Act 136 of 1945, recodified and currently operating under the provisions of Public Act 300 of 1980, as amended. Section 25 of this act establishes the board's authority to promulgate or amend the provisions of the System. 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 - Participants are enrolled in one of multiple plans based on date of hire and certain voluntary elections. A summary of the pension plans offered by MPSERS is as follows:

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

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. In addition, the System's health plan provides all retirees with the option of receiving health, prescription drug, dental and vision coverage under the Michigan Public School Employees' Retirement Act.

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%. ON January 1,1987, the Member Investment Plan (MIP) was enacted. MIP members enrolled prior to January 1,1990, contributed 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. Members who elected under option 1 to increase their level of contributions contribute 4% (Basic Plan) or 7% (MIP).

Regular Retirement (no reduction factor for age)

Eligibility - 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 (PPP) members, age 60 with 10 years of credited service.

Annual Amount - Total credited service as of the Transition Date times 1.5% of final average compensation.

Pension Plus

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

Option 1 - Credited Service after the Transition Date times 1.5% times FAC.

Option 2 - Credited Service after the Transition Date (until total service reaches 30 years) times 1.5% times FAC, PLUS Credited Service after the Transition Date and over 30 years times 1.25% times FAC.

Option 3 - Credited Service after the Transition Date times 1.25% times FAC.

Option 4 - None (Member will receive benefit through a Defined Contribution plan). As a DC participant they receive a 4% employer contribution to a tax - deferred 401(k) account and can choose to contribute up to the maximum amounts permitted by the IRS.

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 - 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.

Member Contributions

Depending on the plan selected, member contribution range from 0%-7%. Plan members electing the defined contribution plan are not required to make additional contributions.

Employer Contributions

Reporting units 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 statue and may be amended only by action of the State Legislature.

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

School District's contributions are determined based on employee election. 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:

October 1, 2015 - September 30, 2016	14.56% - 18.95%
October 1, 2016 - September 30, 2017	15.27% - 19.03%

The District's pension contributions for the year ended June 30, 2017 were equal to the required contribution total. Pension contributions were approximately $749,000, with $740,000 specifically for the Defined Benefit Plan. These amounts include contributions funded from state revenue Section 147c restricted to fund the MEPSERS Unfunded Actuarial Accrued Liability (UAAL) Stabilization Rate. (72.88% for pension and 27.12% for OPEB)

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

Pension Liabilities

At June 30, 2017, the District reported a liability of $8,613,802 for its proportionate share of the net pension liability. The net pension liability was measured as of September 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation date of September 30, 2015 rolled forward using generally accepted actuarial procedures. The District's proportion of the net pension liability was based on a projection of its long-term share of contributions to the pension plan relative to the projected contributions of all participating reporting units, actuarially determined. At September 30, 2016 and 2015, the District's proportion was .03453 and .03682 percent.

MEPSERS (Plan) Non-university employers:	September 30, 2016		September 30, 2015	
Total Pension Liability	$	67,917,445,078	$	66,312,041,902
Plan Fiduciary Net Position	$	42,968,263,308	$	41,887,015,147
Net Pension Liability	$	24,949,181,770	$	24,425,026,755
Proportionate Share		0.03453		0.03682
Net Pension Liability for the District	$	8,613,802	$	8,992,640

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

For the year ended June 30, 2017, the Reporting Unit recognized pension expense of $798,582. This amount excludes contributions funded from state revenue Section 147c restricted to fund MPSERS Unfunded Actuarial Accrued Liability (UAAL) Stabilization Rate. These amounts have been recorded as a deferred outflow as of June 30, 2017

At June 30, 2017, the Reporting Unit 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
Change of assumptions	$ 134,670	
Net difference between projected and actual earnings on pension plan investments	143,161	
Difference between expected and actual experience	107,351	$ 20,415
Changes in proportion and differences between employer contributions and propionate share of contributions.	262,902	427,235
Reporting Unit contributions subsequent to the measurement date	671,050	
Total	$ 1,319,134	$ 447,650

$671,050 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the subsequent fiscal year.

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

Year ended September 30,	Amount
2017	$ 45,413
2018	34,154
2019	158,891
2020	(38,024)

Actuarial Assumptions

Investment rate of return - 8.0% 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).

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

Inflation - 2.5%

Mortality assumptions - RP2000 Combined Healthy Life Mortality table, adjusted for mortality improvements to 2025 using projections scale BB for men and women were used.

Experience study **-** The annual actuarial valuation report of the System used for these statements is dated September 30, 2015. Assumption changes as a result of en 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 plan investments - The rate was 8% (7% Pension Plus Plan) net of investment and administrative expenses was determined using a 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.

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

Investment Category	Target Allocation	Long-term Expected Real Rate of Return*
Domestic Equity Pools	28.00%	5.90%
Alternate Investment Pools	18.00%	9.20%
International Equity	16.00%	7.20%
Fixed Income Pools	10.50%	0.90%
Real Estate and Infrastructure Pools	10.00%	4.30%
Absolute Return Pools	15.50%	6.00%
Short Term Investment Pools	2.00%	0.00%
Total	100.0%	

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

Discount rate - The discount rate used to measure the total pension liability was 8% (7% for Pension Plan Plus). The discount rate did not change from the prior measurement date. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that contributions from school districts will be made at contractually required rates, actuarially determined. 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 active and inactive employees. 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.

Sensitivity of the net pension liability to changes in the discount rate

The following presents the Reporting Unit's proportionate share of the net pension liability calculated using the discount rate of 8.0 percent (7% for Pension Plus Plan), as well as what the Reporting Unit's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	1% Decrease (6.0% - 7.0%)	Discount Rate (7.0% - 8.0%)	1% Increase (8.0% - 9.0%)
Reporting Unit's proportionate share of the net pension liability	$11,092,409	$8,613,802	$6,524,098

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued Michigan Public School Employees Retirement System 2016 Comprehensive Annual Financial Report.

Payable to Pension Plus Plan

At year end the School Distinct is current on all required pension 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 funded from state revenue Section 147c restricted to fund MPSERS Unfunded Actuarial Accrued Liability (UAAL) Stabilization Rate.

Other Information

Discount Rate - Assumed Rate of Return

On February 23, 2017, in accordance with PA 300 of 1980, as amended, the Michigan Public Schools Employees' Retirement System's Board approved a decrease in the assumed investment rate of return (discount rate) used in the System's annual actuarial valuation for the non-hybrid defined benefit pension plan from 8% to 7.5% effective for the fiscal year 2016 valuation and following.

The September 30, 2016 Annual Actuarial Valuation Report will be used to establish the employer contribution for fiscal year beginning October 1, 2018 and will be based upon the 7.5% investment rate of return assumption. The actuarial computer employer contributions and the net pension liability will increase as a result of lowering the assumed investment rate of return.

Pension Reform 2017

Senate Bill 401, amends the Public School Employees Retirement Act (PA 300 of 1980, as amended).

The bill closes the current hybrid plan (Pension Plus) to newly hired employees as of February 1, 2018 and creates a new option revised hybrid plan with similar plan benefit calculations but contains 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 would close to new employees if the actuarial funded ratio falls below 85% for two consecutive years. The bill includes other provisions to the retirement eligibility age, plan assumptions, and unfunded liability payment methods.

Benefit Provisions - Other Postemployment

Introduction

Benefit provisions of the postemployment healthcare plan are established by State statute, which may be amended. Public Act 300 of 1980, as amended, establishes eligibility and benefit provisions. Retirees have the option of health coverage. Beginning fiscal year 2013, it will be funded on a prefunded basis. The System has contracted to provide the comprehensive group medical, hearing, dental and vision coverage for retirees and beneficiaries. A subsidized portion of the premium is paid by the System with the balance deducted from the monthly pension of each retiree 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.

Public Act 75 of 2010 requires each actively employed member of MPSERS after June 30, 2010 to annually contribute 3% of their compensation to offset employer contributions for health care benefits of current retirees.

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.

Employer Contributions

The employer contribution rate ranged from 5.52% to 6.45% of covered payroll for the period October 1, 2013 to September 30, 2014, 2.2% to 2.71% of covered payroll for the period from October 1, 2014 to September 30, 2015, from 6.4 % to 6.83 % of covered payroll for the period from October 1, 2015 through September 30, 2016 5.69% to 5.91% of covered payroll for the period from October 1, 2016 through September 30, 2017 dependent upon the employee's date of hire and plan election.

The District postemployment healthcare contributions to MPSERS for the year ended June 30, 2017, 2016 and 2015 were approximately $256,000, $275,000 and $378,000.

NOTE 10 – COMMITMENTS:

The District has active capital projects outstanding at June 30, 2017. $72,486 is restricted and recorded as fund balance in the Capital Projects Fund.

NOTE 11 - RISK MANAGEMENT:

The District is exposed to various risk of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees' and natural disasters. With regard to injuries to employees, the District participates in an association of educational institutions within the State of Michigan for self-insuring workers' disability compensation. The association is considered a public entity risk sharing pool. The District pays annual premiums to the association for its workers' disability compensation coverage. In the event the association's total claims and expenses for a policy year exceeded the total normal annual premiums for said years, all members of the policy year may be subject to special assessment to make up the deficiency. The association maintains reinsurance for claims in excess of $500,000 for each occurrence with the overall maximum coverage being unlimited. The District has not been informed of any special assessments being required.

The District continues to carry commercial insurance for other risks of loss, including employee health and accident insurance, torts, theft of, damage to and destruction of assets and errors & omissions.

NOTE 12 – TRANSFERS:

The food service fund transferred $20,000 to the general fund for indirect cost reimbursement.

NOTE 13 – SUBSEQUENT EVENT:

The District has approved borrowing $1,386,000, at an anticipated rate of 1.44%, for fiscal year 2018 to replace the note payable as described in Note 5.

Note 14 - TAX ABATEMENTS:

Effective for the year ended June 30, 2017 the District is required to disclose significant tax abatements as a required by GASB statement 77 (Tax abatements).

The District receives reduced property tax revenues as a result of Industrial Facilities Tax Exemptions, Brownfield Redevelopment Agreements, and Payments in Lieu of Taxes (PILOT) granted by cities, villages and townships. Industrial facility exemptions are intended to promote construction of new industrial facilities, or to rehabilitate historical facilities; Brownfield redevelopment Agreements are intended to reimburse taxpayers that remediate environmental contamination on their properties; PILOT programs apply to multiple unit housing for citizens of low income and the elderly. The property taxes abated for all funds by municipality under these programs are as follows:

Municipality	Taxes Abated
Fremont Township	$ 3,446
Watertown Township	1,246
Total	$ 4,692

The taxes abated for the general fund operating millage is considered by the State of Michigan when determining the District's section 22 funding of the State School Aid Act.

NOTE 15 – UPCOMING ACCOUNTING PRONOUNCEMENT:

Governmental Accounting Standards Board (GASB) Statement No. 84, Fiduciary Activities, was issued by the GASB in January 2017 and will be effective for the District's 2020 year end. The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This Statement establishes criteria for identifying fiduciary activities for all state and local governments. The focus on the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. An activity meeting the criteria should be reported in a fiduciary fund in the basic financial statements. Districts with activities meeting the criteria should present a statement of fiduciary net position and a statement of changes in fiduciary net position.

Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, was issued by the GASB in June 2015 and will be effective for the District's 2018 fiscal year. The Statement 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 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. Statement 75 requires cost-sharing employers to record a liability and expense for the cost-sharing plan. The Statement also will improve the comparability and consistency of how governments calculate the postemployment benefits liabilities and expense.

REQUIRED SUPPLEMENTARY INFORMATION

MAYVILLE COMMUNITY SCHOOLS
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
YEAR ENDED JUNE 30, 2017

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET
REVENUES				
Local sources				
Property tax	$ 633,829	$ 643,826	$ 657,418	$ 13,592
Tuition	-	-	1,165	1,165
Investment earnings	1,700	4,501	7,171	2,670
Other	103,471	111,910	124,014	12,104
Total local sources	739,000	760,237	789,768	29,531
State sources	4,632,707	4,663,507	4,659,928	(3,579)
Federal sources	397,866	445,256	452,806	7,550
Incoming transfers and other	26,471	27,899	31,317	3,418
TOTAL REVENUES	5,796,044	5,896,899	5,933,819	36,920
EXPENDITURES				
Instruction				
Basic programs	2,816,844	2,780,144	2,845,354	(65,210)
Added needs	704,066	749,222	713,468	35,754
Total Instruction	3,520,910	3,529,366	3,558,822	(29,456)
Supporting Services				
Pupil services	181,218	197,661	197,678	(17)
Staff services	6,223	59,156	63,370	(4,214)
General administration	184,332	209,548	206,325	3,223
School administration	320,348	317,253	313,469	3,784
Business services	170,454	187,055	163,978	23,077
Operations and maintenance	688,200	691,369	688,537	2,832
Pupil transportation	312,913	258,510	249,218	9,292
Central services	73,496	104,246	96,620	7,626
Athletic activities	180,231	196,906	193,508	3,398
Total Supporting Services	2,117,415	2,221,704	2,172,703	49,001
Community Services	-	3,930	3,930	-
Other Transactions	-	2,086	2,086	-
Debt Service				
Principal repayment	90,980	75,435	75,435	-
Interest	9,926	9,926	9,926	-
Total Debt Service	100,906	85,361	85,361	-
TOTAL EXPENDITURES	5,739,231	5,842,447	5,822,902	19,545
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	56,813	54,452	110,917	56,465
OTHER FINANCING SOURCES (USES):				
Transfer in	17,000	17,000	20,000	3,000
Sale of capital assets	-	-	3,300	3,300
TOTAL OTHER FINANCING SOURCES (USES)	17,000	17,000	23,300	6,300
CHANGE IN FUND BALANCE	$ 73,813	$ 71,452	134,217	$ 62,765
FUND BALANCE - BEGINNING OF YEAR			332,362	
FUND BALANCE - END OF YEAR			$ 466,579	

MAYVILLE COMMUNITY SCHOOLS
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE REPORTING UNIT'S PROPORTIONATE
SHARE OF THE NET POSITION LIABILITY
MICHIGAN PUBLIC SCHOOLS EMPLOYEES RETIREMENT PLAN
LAST 10 FISCAL YEARS (AMOUNTS WERE DETERMINED
AS OF 9/30 OF EACH FISCAL YEAR)

	2016	2015	2014
Reporting unit's proportion of net pension liability (%)	0.03453%	0.03682%	0.03507%
Reporting unit's proportionate share of net pension liability	$8,613,802	$8,992,640	$7,724,893
Reporting unit's covered-employee payroll	$2,827,038	$3,282,197	$3,173,659
Reporting unit's proportionate share of net pension liability as a percentage of it covered-employee payroll	304.69%	273.98%	243.41%
Plan fiduciary net position as a percentage of total pension liability	63.27%	63.17%	66.20%

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10 year trend is compiled, the District presents information for those years for which information is available.

MAYVILLE COMMUNITY SCHOOLS
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE REPORTING UNIT'S CONTRIBUTIONS
MICHIGAN PUBLIC SCHOOL EMPLOYEES RETIREMENT PLAN
LAST 10 FISCAL YEARS (AMOUNTS WERE DETERMINED
AS OF 6/30 OF EACH FISCAL YEAR END)

	2017	2016	2015
Statutorily required contributions	$ 748,672	$ 825,933	$ 685,730
Contributions in relation to statutorily required contributions	748,672	825,933	685,730
Contribution deficiency (excess)	$ -	$ -	$ -
Reporting unit's covered-employee payroll	$ 2,580,207	$3,042,116	$3,435,314
Contributions as a percentage of covered-employee payroll	29.02%	27.15%	19.96%

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10 year trend is compiled, the District presents information for those years for which information is available.

MAYVILLE COMMUNITY SCHOOLS
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2017

Changes of benefit terms: There were no changes of benefit terms in 2016.

Changes of assumptions: There were no changes for benefit assumption 2016.

ADDITIONAL SUPPLEMENTARY INFORMATION

MAYVILLE COMMUNITY SCHOOLS

COMBINING BALANCE SHEET

NONMAJOR GOVERNMENTAL FUND TYPES

June 30, 2017

	SPECIAL REVENUE- FOOD SERVICE	CAPITAL PROJECTS	TOTAL NONMAJOR FUNDS
ASSETS			
Cash & cash equivalents	$ 500		$ 500
Investments	81,525		81,525
Due from other governmental units	10,578		10,578
Restricted investments		$ 72,486	72,486
TOTAL ASSETS	***$ 92,603***	***$ 72,486***	***$ 165,089***
LIABILITIES AND FUND BALANCES			
Unearned revenue	$ 3,800	$ -	$ 3,800
Accrued salaries and related items	1,996		1,996
Due to other funds	53,371	-	53,371
TOTAL LIABILITIES	59,167	-	59,167
FUND BALANCES			
Fund balances:			
Restricted for:			
Capital projects		72,486	72,486
Food service	33,436		33,436
TOTAL FUND BALANCES	33,436	72,486	105,922
TOTAL LIABILITIES AND FUND BALANCES	***$ 92,603***	***$ 72,486***	***$ 165,089***

MAYVILLE COMMUNITY SCHOOLS

COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGE IN NONMAJOR FUND BALANCES
YEAR ENDED JUNE 30, 2017

	SPECIAL REVENUE- FOOD SERVICE	CAPITAL PROJECTS	TOTAL NONMAJOR FUNDS
REVENUES			
Local sources			
Investment earnings		$ 482	$ 482
Food sales	$ 87,136		87,136
Total local sources	87,136	482	87,618
State sources	18,184		18,184
Federal sources	280,773		280,773
TOTAL REVENUES	386,093	482	386,575
EXPENDITURES			
Food services	345,821		345,821
Capital projects		12,470	12,470
TOTAL EXPENDITURES	345,821	12,470	358,291
OTHER FINANCING SOURCES (USES):			
Fund transfer out	(20,000)		(20,000)
TOTAL OTHER FINANCING SOURCES (USES):	(20,000)	-	(20,000)
CHANGE IN FUND BALANCES	20,272	(11,988)	8,284
FUND BALANCES AT BEGINNING OF YEAR	13,164	84,474	97,638
FUND BALANCES AT END OF YEAR	$ 33,436	$ 72,486	$ 105,922

MAYVILLE COMMUNITY SCHOOLS
SCHEDULE OF BONDED DEBT - SCHOOL BUILDING & SITE
June 30, 2017

Refunding bonds in the amount of $3,755,000 were issued November 26, 2013 to refinance $3,860,000 of the 2004 Bonds (due to mature in the years 2015-2023).

PRINCIPAL DUE MAY	RATE	INTEREST DUE MAY	INTEREST DUE NOVEMBER	DEBT SERVICE REQUIREMENT FOR FISCAL YEAR JUNE 30	AMOUNT
$ 405,000	2.00	$ 48,250	$ 48,250	2018	$ 501,500
420,000	4.00	44,200	44,200	2019	508,400
440,000	4.00	35,800	35,800	2020	511,600
425,000	4.00	27,000	27,000	2021	479,000
445,000	4.00	18,500	18,500	2022	482,000
480,000	4.00	9,600	9,600	2023	499,200
$ 2,615,000		$ 183,350	$ 183,350		$ 2,981,700

MAYVILLE COMMUNITY SCHOOLS
SCHEDULE OF BONDED DEBT - SCHOOL BUILDING & SITE
June 30, 2017

Refunding bonds in the amount of $7,460,000 were issued February 7, 2017 to refinance $7,950,000 of the 2007 Bonds (due to mature in the years 2024-2034) .

PRINCIPAL DUE MAY	RATE	INTEREST DUE MAY	INTEREST DUE NOVEMBER	DEBT SERVICE REQUIREMENT FOR FISCAL YEAR JUNE 30	AMOUNT
		$ 154,675	$ 154,675	2018	$ 309,350
		154,675	154,675	2019	309,350
		154,675	154,675	2020	309,350
$ 40,000	4.000%	154,675	153,875	2021	348,550
40,000	4.000%	153,875	153,075	2022	346,950
30,000	4.000%	153,075	152,475	2023	335,550
535,000	5.000%	152,475	139,100	2024	826,575
560,000	5.000%	139,100	125,100	2025	824,200
585,000	4.000%	125,100	113,400	2026	823,500
610,000	4.000%	113,400	101,200	2027	824,600
635,000	4.000%	101,200	88,500	2028	824,700
665,000	4.000%	88,500	75,200	2029	828,700
695,000	4.000%	75,200	61,300	2030	831,500
720,000	4.000%	61,300	46,900	2031	828,200
750,000	4.000%	46,900	31,900	2032	828,800
780,000	4.000%	31,900	16,300	2033	828,200
815,000	4.000%	16,300	-	2034	831,300
$ 7,460,000		$ 1,877,025	$ 1,722,350		$ 11,059,375

MAYVILLE COMMUNITY SCHOOLS

SCHEDULE OF BONDED DEBT - ENERGY

June 30, 2017

In December 2003, the District sold Energy Bonds in the amount of $870,000 for the purpose of upgrading facilities and instituting energy saving measures.

PRINCIPAL DUE MAY	RATE	INTEREST DUE MAY	INTEREST DUE NOVEMBER	DEBT SERVICE REQUIREMENT FOR FISCAL YEAR JUNE 30	AMOUNT
$ 70,000	4.15	$ 3,009	$ 3,009	2018	$ 76,018
75,000	4.15	1,556	1,556	2019	78,112
$ 145,000		$ 4,565	$ 4,565		$ 154,130

ANDERSON, TUCKEY, BERNHARDT & DORAN, P.C.
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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Board of Education
Mayville Community Schools
Mayville, Michigan

We have audited, 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, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Mayville Community Schools as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated October 9, 2017.

INTERNAL CONTROL OVER FINANCIAL REPORTING
In planning and performing our audit, we considered Mayville Community Schools' internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Mayville Community Schools' internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Mayville Community Schools' internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement on the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

COMPLIANCE AND OTHER MATTERS
As part of obtaining reasonable assurance about whether Mayville Community Schools' financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards.*

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PURPOSE OF THIS REPORT

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Anderson, Tuckey, Bernhardt & Doran, P.C.

ANDERSON, TUCKEY, BERNHARDT & DORAN, P.C.
CERTIFIED PUBLIC ACCOUNTANTS
CARO, MICHIGAN

October 9, 2017

ANDERSON, TUCKEY, BERNHARDT & DORAN, P.C.
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To the Members of the Board
Mayville Community Schools

We have audited the financial statements of ***Mayville Community Schools*** for the year ended ***June 30, 2017*** and have issued our report thereon dated October 9, 2017. Professional standards require that we provide you with the following information related to our audit.

<u>Our Responsibility under Auditing Standards Generally Accepted in the United States of America and *Government Auditing Standards*</u>
As stated in our engagement letter, our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

As part of our audit, we considered the internal control of ***Mayville Community Schools***. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

As part of obtaining reasonable assurance about whether ***Mayville Community Schools'*** financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants. However, the objective of our test was not to provide an opinion on compliance with such provisions.

<u>Planned Scope and Timing of the Audit</u>
We performed the audit according to the planned scope and timing previously communicated to you.

<u>Significant Audit Findings</u>

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by ***Mayville Community Schools*** are described in Note 1 to the financial statements. We noted no transactions entered into by ***Mayville Community Schools*** during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period that when the transaction occurred.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the financial statements was:

Estimates have been used to calculate the net pension liability.

Estimates have been used in calculating the liability for employee compensated absences. In addition, certain amounts included in capital assets have been based on an outside appraisal company.

The disclosures in the financial statements are neutral, consistent, and clear. Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users.

We did not identify any sensitive disclosures.

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Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements were material, either individually or in the aggregate, to the financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated October 9, 2017.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the District's financial statements or a determination of the type of auditors' opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as ***Mayville Community Schools'*** auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

We applied certain limited procedures to Management's Discussion & Analysis and the Budgetary Comparison Schedule, and the Schedules of Reporting Unit's Contributions and Proportionate Share of the Net Pension Liability, which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, other knowledge we obtained during the audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were engaged to report on the Additional Supplementary Information, which accompany the financial statements but are not RSI. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing this information to determine that the information complies with accounting principles general accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the additional supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

Restriction on Use

This information is intended solely for the use of the Members of the Board and management of ***Mayville Community Schools*** and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

Anderson, Tuckey, Bernhardt & Doran, P.C.

Anderson, Tuckey, Bernhardt, & Doran, P.C.
Certified Public Accountants
Caro, Michigan

October 9, 2017

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School District Supplemental Comments 2017

Upcoming Pronouncements: GASB Statements 75 and 84

Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, was issued by the GASB in June 2015 and will be effective for the **District's 2018 fiscal year**. The Statement 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. Statement 75 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.

Governmental Accounting Standards Board (GASB) Statement No. 84, *Fiduciary Activities*, was issued by the GASB in January 2017 and will be effective for the **District's 2020 year end**. The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This Statement establishes criteria for identifying fiduciary activities for all state and local governments. The focus on the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. An activity meeting the criteria should be reported in a fiduciary fund in the basic financial statements. Districts with activities meeting the criteria should present a statement of fiduciary net position and a statement of changes in fiduciary net position.

Procurement Policy Deferral Period Ending

Many of our districts elected to take advantage of the option to defer the adoption of the required procurement standards under the Uniform Guidance. Non-federal entities were given the option to defer the adoption of the procurement standards for up to two years. For our June 30 year-end clients, this deferral period was set to end on June 30, 2017 and would be required to implement the changes to their procurement policies and procedures as of July 1, 2017 for the 2017-18 school year.

On May 17, 2017, OMB issued an additional grace period of one year for non-federal entities to implement the changes to their procurement policies and procedures to be in accordance with procurement standards in 2 CFR 200.317 through 200.326 of the Uniform Guidance. The OMB has stated that this will be the final extension they will be issuing, therefore, all **districts will be required to implement these changes prior to the start of the 2018-19 school year**.

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Food Service — Negative Student Account Balances

The Michigan Department of Education (MDE) has issued Administrative Policy No. 6 regarding the collection of negative balances of student lunch accounts. The MDE is requiring all districts to include within their food service policies an explanation of how the district plans to handle the collection of unpaid meal charges.

The effective date of this Administrative Policy is December 31, 2017.

The MDE will be requesting a copy of the district's bad debt policy during their next Administrative Review or Resource Management Review. Please review Administrative Policy No. 6 as well as your current food service policy to determine whether or not any modifications to your policies are necessary. It is our recommendation that all districts **update their food service policy to include a section explaining how uncollected accounts relating to negative balances of student lunch accounts will be handled**.

The policy can be found at:
http://www.michigan.gov/documents/mde/Admin_Policy_No_6_533612_7.pdf.

Cyber Vulnerability Assessment

Business IT needs are constantly evolving. The stability and security of your system is an important part of your everyday life. As applications and systems change to meet your business needs, so does the threat to your network environment. We recommend that you perform regular vulnerability assessments to assure the overall security of your hardware and software network environments.

We appreciate your business, please let us know if we can be of any assistance to you in the above or other matters.

ANDERSON, TUCKEY, BERNHARDT & DORAN, PC
Certified Public Accountants