

**REED CITY AREA PUBLIC SCHOOLS**

**REED CITY, MICHIGAN**

**ANNUAL FINANCIAL REPORT**

**JUNE 30, 2018**



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

CERTIFIED PUBLIC ACCOUNTANTS  
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REED CITY AREA PUBLIC SCHOOLS  
REED CITY, MICHIGAN

ANNUAL FINANCIAL REPORT  
YEAR ENDED JUNE 30, 2018

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August 9, 2018

## INDEPENDENT AUDITOR'S REPORT

To the Board of Education  
Reed City Area Public Schools  
Reed City, 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 Reed City Area Public Schools, Reed City, Michigan as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditor's Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the *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 Reed City Area Public Schools, Reed City, Michigan as of June 30, 2018, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## ***Emphasis of Matter- Change in Accounting Principle***

As discussed in Note 2.S. to the financial statements, Reed City Area Public Schools implemented Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Others Than Pensions*. Our opinion is not modified with respect to this matter.

## ***Other Matters***

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and required supplementary information, as identified in the table of contents, on pages iv through xi and 38-43 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 Reed City Area Public Schools' basic financial statements. The combining and individual fund financial statements and other supplementary information are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

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

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

BAIRD, COTTER AND BISHOP, P.C.

*Baird, Cotter & Bishop, P.C.*

# REED CITY AREA PUBLIC SCHOOLS

## MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE YEAR ENDED JUNE 30, 2018

The discussion and analysis of the Reed City Area Public School District's ("the District") financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2018. The intent of this discussion and analysis is to provide, in layman's terms, a look at the District's performance and past and current position. Readers should also review the financial statements and the notes to the financial statements to enhance their understanding of the District's financial performance.

### **Overview of the Financial Statements**

This annual report consists of three parts: management's discussion and analysis (this section), the basic financial statements and required supplemental information. The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the financial statements.

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

### **District-Wide Financial Statements**

These statements are full accrual basis statements and provide information about the District's *overall* financial status. They are used to help determine whether or not the District is better off or worse off as the result of the year's activities. The Statement of Net Position reports all of the District's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, both short-term and long-term, regardless of whether they are "currently available" or not. Capital assets and long-term obligations of the District are reported in this statement. All of the current year's revenues and expenses are accounted for in the Statement of Activities regardless of when cash is received or paid.

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

- Over time, increases or decreases in the District's net position are an indicator of whether its financial position is improving or deteriorating, respectively.
- To assess the District's overall health, one should consider additional non-financial factors such as changes in the District's property tax base, the quality of the education provided and the condition of the District's buildings.

In the district-wide statements, the District's activities are classified as governmental activities. This includes most of the District's basic services, such as regular and special education, food service, athletics, transportation and administration. Property taxes and state aid finance most of these services.

### **Fund Financial Statements**

**Governmental Funds** - The fund financial statements focus on individual parts of the District, reporting the District's operations in more detail than the district-wide statements. The fund level statements are reported on a modified accrual basis. Only those assets that are "measurable" and "currently available" are reported. Liabilities are recognized to the extent they are normally expected to be paid with current financial resources.



REED CITY AREA PUBLIC SCHOOLS

MANAGEMENT’S DISCUSSION AND ANALYSIS

FOR THE YEAR ENDED JUNE 30, 2018

The fund statements are formatted to comply with the legal requirements of the Michigan Department of Education’s “Accounting Manual.” In the State of Michigan, a district’s major instructional and instructional support activities are reported in the General Fund. Additional activities are reported in their relevant funds including: Special Revenue Funds for Food Service and Community Services, Debt Service Funds, Capital Project Funds, and Fiduciary Funds.

In the fund financial statements, capital asset purchases are reported as expenditures in the year of acquisition and no asset is reported. 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 year’s debt obligations are not recorded in the fund financial statements.

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

**Financial Analysis of the District as a Whole**

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

<u>June 30,</u>	<b>Governmental Activities</b>	
	<b>2018</b>	<b>2017</b>
<b>Assets</b>		
Current Assets	\$ 6,664,315	\$ 9,434,885
Non Current Assets		
Capital Assets	22,682,470	20,132,054
Less: Accumulated Depreciation	(8,559,119)	(8,000,923)
Total Non Current Assets	14,123,351	12,131,131
<b>Total Assets</b>	<b>20,787,666</b>	<b>21,566,016</b>
<b>Deferred Outflows of Resources</b>		
Deferred Charges on Refunding	76,173	112,454
Deferred Outflows of Resources Related to Pension and OPEB	5,237,165	2,988,266
<b>Total Deferred Outflows of Resources</b>	<b>5,313,338</b>	<b>3,100,720</b>

REED CITY AREA PUBLIC SCHOOLS

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE YEAR ENDED JUNE 30, 2018

<u>June 30,</u>	<u>Governmental Activities</u>	
	<u>2018</u>	<u>2017</u>
<b>Liabilities</b>		
Current Liabilities	3,187,830	4,212,455
Non Current Liabilities	38,695,738	31,816,184
<b>Total Liabilities</b>	<u>41,883,568</u>	<u>36,028,639</u>
<b>Deferred Inflows of Resources</b>		
Deferred Inflows Related to Pension and OPEB	<u>2,240,127</u>	<u>912,322</u>
<b>Net Position</b>		
Net Investment in Capital Assets	1,712,892	873,040
Restricted	541,093	538,501
Unrestricted	<u>(20,276,676)</u>	<u>(13,685,766)</u>
<b>Total Net Position (Deficit)</b>	<u>\$(18,022,691)</u>	<u>\$ (12,274,225)</u>

Restricted assets represent resources that are subject to external restrictions on how they may be used.

During the fiscal year ended June 30, 2018, the District's net position increased by \$1,046,650. A few of the more significant factors affecting net position during the year are discussed below:

**1. Depreciation Expense**

The District is required to maintain a record of annual depreciation expense and the accumulation of depreciation expense over time. The net increase in accumulated depreciation expense is a reduction in net position.

Depreciation expense is recorded on a straight-line basis over the estimated useful lives of the assets. In accordance with GAAP, depreciation expense is calculated based on the original cost of the asset less an estimated salvage value, where applicable. For the fiscal year ended June 30, 2018, \$588,445 was recorded for depreciation expense.

**2. Pension and Other Postemployment Benefits Expense**

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

REED CITY AREA PUBLIC SCHOOLS

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE YEAR ENDED JUNE 30, 2018

**3. Capital Outlay Acquisitions and Disposals**

For the fiscal year ended June 30, 2018, \$3,953,773 of capital assets were placed in service, which includes \$1,373,108 of construction in progress from the prior year. The District disposed of \$30,249 of capital assets during the year.

The net effect of the capital asset changes and the current year's depreciation is an increase of net capital assets in the amount of \$1,992,220 for the fiscal year ended June 30, 2018.

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

<u>June 30,</u>	<u>Governmental Activities</u>	
	<u>2018</u>	<u>2017</u>
<b>Revenues</b>		
Program Revenues:		
Charges for Services	\$ 406,595	\$ 412,774
Operating Grants	3,900,723	3,495,685
General Revenues:		
Property Taxes	3,224,609	3,530,922
Investment Earnings	35,255	20,498
State Sources	9,623,100	9,318,916
Other	208,986	72,302
<b>Total Revenues</b>	<b>17,399,268</b>	<b>16,851,097</b>
<b>Expenses</b>		
Instruction	9,728,241	8,372,708
Supporting Services	4,713,776	5,095,391
Community Services	46,323	49,692
Food Service Activities	819,633	836,944
Capital Projects	628	12,209
Interest on Long-Term Debt	410,994	425,458
Bond Issuance Costs	0	42,110
Other Transactions	44,578	34,705
Unallocated Depreciation	588,445	426,735
<b>Total Expenses</b>	<b>16,352,618</b>	<b>15,295,952</b>
<b>Increase (Decrease) in Net Position</b>	<b>\$ 1,046,650</b>	<b>\$ 1,555,145</b>

REED CITY AREA PUBLIC SCHOOLS

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE YEAR ENDED JUNE 30, 2018

The cost of the District's governmental activities for the year was \$16,352,618. State aid and operating grants and contributions provided approximately \$3,900,723 to fund the District's governmental activities. District taxpayers directly financed activities of the District with approximately \$3,224,609 in property taxes. Charges for services provided funds of approximately \$406,595.

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

	2018	2017	Increase (Decrease)
<b>Major Funds</b>			
General Fund	\$ 2,666,393	\$ 2,346,812	\$ 319,581
2016 School Building and Site Fund	404,208	2,506,117	(2,101,909)
<b>Nonmajor Funds</b>			
Food Service	359,267	289,442	69,825
Community Services	4,835	6,045	(1,210)
Capital Projects	670,710	646,693	24,017
2016 Debt Retirement	67,537	8,172	59,365
2012 Debt Retirement	97,854	210,378	(112,524)
2015 Debt Retirement	171,857	199,085	(27,228)
Total Governmental Funds	<u>\$ 4,442,661</u>	<u>\$ 6,212,744</u>	<u>\$ (1,770,083)</u>

The General Fund increase was due, in part, to staffing adjustments and transferring approximately \$334,000 less to the capital projects during the year when compared to the prior year.

The 2016 School Building and Site Fund balance decreased due to spending of bond proceeds on voter approved projects.

The general Capital Projects fund balance increased because of transfers from the General Fund during the year with the corresponding expenditures not occurring until 2018/2019.

The Food Service Fund balance increased due to the efficiency of the operation.

The Debt Fund balances, of which the entire amount is restricted, changed primarily due to debt principal and interest payments being different than the property tax revenues.

**General Fund Budgetary Highlights**

The Uniform Budget Act of the State of Michigan requires that the local Board of Education approve the original budget for the upcoming fiscal year prior to July 1, the start of the fiscal year.

REED CITY AREA PUBLIC SCHOOLS

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE YEAR ENDED JUNE 30, 2018

During 2017-2018, the District amended the General Fund budget two times, with the Board adopting the final changes in June 2018. The following schedule shows a comparison of the original budget, the final amended budget and the actual totals for the General Fund:

<u>Year Ended June 30, 2018</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>
<b>Total Revenues</b>	\$ 15,222,668	\$ 15,096,255	\$ 15,087,489
Expenditures:			
Instruction	\$ 9,469,870	\$ 9,488,986	\$ 9,469,870
Supporting Services	5,414,890	5,041,785	4,877,948
Community Services	2,083	29,343	26,868
Other Transactions	47,000	47,000	44,578
<b>Total Expenditures</b>	\$ 14,933,843	\$ 14,607,114	\$ 14,419,264

Final budgeted revenue from local sources was lower and from state sources higher due in large part to a lower non-homestead taxable value causing the state to make up lost local revenue through the foundation allowance. For federal sources, changes to staffing for federal grants cause the budget to be revised downward. Final budgeted expenditures were lower than originally thought due in part to changes to grant funded expenditures and overall expenditures coming in less than thought.

Actual revenues were very comparable to the final budgeted revenues. On the expenditure side, the State of Michigan requires all schools to budget conservatively. State law does not allow for expenditures that have not been appropriated for. As such, the District is very careful with expenditure budgeting to ensure compliance with state law and avoid negative correspondence with the State of Michigan.

**Capital Assets and Debt Administration**

*1. Capital Assets*

The Capital Projects Fund is used to account for the costs incurred in acquiring and improving sites, constructing and remodeling facilities, and procuring major equipment necessary for providing educational programs for all students within the District. During the year, there were \$3,953,773 in capital asset additions that were placed into service, which includes \$1,373,108 of construction in progress from the prior year. The District had \$30,249 in capital asset disposals during the year.

REED CITY AREA PUBLIC SCHOOLS

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE YEAR ENDED JUNE 30, 2018

The District's capital assets at year end are summarized as follows, net of accumulated depreciation:

<u>June 30,</u>	<u>2018</u>	<u>2017</u>
Land	\$ 274,694	\$ 274,694
Construction in Progress	6,511	1,373,108
Buildings	12,206,277	9,661,974
Land Improvements	282,091	16,143
Machinery and Equipment	862,816	194,398
Transportation Equipment	490,962	610,814
	<u>\$ 14,123,351</u>	<u>\$ 12,131,131</u>

Major capital assets additions for the 2017-2018 school year include:

- Asphalt and concrete in the amount of \$140,910
- Middle school flooring in the amount of \$121,871
- Salt barn in the amount of \$50,715
- Various machinery and equipment in the amount of \$115,828
- Building and site and technology upgrades from the issue of the 2016 bonds in the amount of \$3,517,938 (\$1,240,808 of this was capitalized in the prior year as construction in progress)

In addition to purchasing the above assets, the School has committed to spend approximately \$370,000 for building improvements, upgrades to building safety and security, and buses which will be funded primarily by the District's capital projects funds.

**2. Long-Term Debt**

At June 30, 2018, the District had \$39,051,622 in debt outstanding. This represents a decrease of \$188,543 from the amount outstanding at the close of the prior fiscal year.

**Factors Bearing on the District's Future**

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

- The estimated revenue for At-Risk is expected to increase for the 2018-2019 fiscal year (FY), however, Title I and Title II are expected to decrease.
- The District had (14) staff members either resign or retire in the 2017-2018 school year so there will be significant changes affecting the proposed 2018-2019 budget after all hires have been put into place.

REED CITY AREA PUBLIC SCHOOLS

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE YEAR ENDED JUNE 30, 2018

- Uncertain student enrollment. The District has budgeted for a decline of 30 FTE students from the prior February FTE count. The foundation allowance is expected to increase \$240 per student. Student enrollment has a significant impact on revenues of the District.
- The Food Service program is tightly governed by both the federal government and the State of Michigan. As such, the program is required to reduce its fund balance by expending approximately \$90,000-\$100,000 more than normal. This is expected to occur in both the 18/19 FY and 19/20 FY.

**Requests for Information**

This financial report is designed to provide our citizens, taxpayers, parents, students and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. Questions concerning any of the information provided in this report, or requests for additional financial information, should be addressed to the Business Office, Reed City Area Public Schools, 225 W. Church Ave., Suite A, Reed City, Michigan 49677.

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REED CITY AREA PUBLIC SCHOOLS  
REED CITY, MICHIGAN

STATEMENT OF NET POSITION

JUNE 30, 2018

ASSETS

CURRENT ASSETS

Cash	\$ 1,717,571
Restricted Cash	197,543
Investments	2,099,855
Restricted Investments	206,665
Accounts Receivable	17,909
Taxes Receivable	21
Due from Other Governments	2,299,049
Inventories	16,575
Prepaid Expenses	109,127
	<hr/>
Total Current Assets	6,664,315

NON CURRENT ASSETS

Capital Assets	22,682,470
Less Accumulated Depreciation	(8,559,119)
	<hr/>
Total Non Current Assets	14,123,351

TOTAL ASSETS

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20,787,666

DEFERRED OUTFLOWS OF RESOURCES

Deferred Charges on Refunding	76,173
Deferred Outflows of Resources Related to Pensions	4,795,206
Deferred Outflows of Resources Related to Other Postemployment Benefits	441,959
	<hr/>
TOTAL DEFERRED OUTFLOWS OF RESOURCES	5,313,338

LIABILITIES

CURRENT LIABILITIES

Accounts Payable	34,595
Accrued Expenses	488,154
Accrued Interest Payable	70,314
Salaries Payable	830,274
Note Payable	533,911
Due to Other Governments	143,079
Unearned Revenue	191,641
Current Portion of Non Current Liabilities	895,862
	<hr/>
Total Current Liabilities	3,187,830

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

REED CITY AREA PUBLIC SCHOOLS  
REED CITY, MICHIGAN

STATEMENT OF NET POSITION

JUNE 30, 2018

NON CURRENT LIABILITIES

Bonds Payable	12,305,000
Deferred Bond Premium - Net	539,978
Compensated Absences	191,402
Installment Purchase Agreement Payable	45,862
Net Pension Liability	19,760,858
Net Other Postemployment Benefits Liability	6,748,500
Less Current Portion of Non Current Liabilities	<u>(895,862)</u>

Total Non Current Liabilities 38,695,738

TOTAL LIABILITIES 41,883,568

DEFERRED INFLOWS OF RESOURCES

Deferred Inflows of Resources Related to Pensions	2,011,978
Deferred Inflows of Resources Related to Other Postemployment Benefits	<u>228,149</u>

TOTAL DEFERRED INFLOWS OF RESOURCES 2,240,127

NET POSITION

Net Investment in Capital Assets	1,712,892
Restricted for Debt Service	266,934
Restricted for Food Service	274,159
Unrestricted (Deficit)	<u>(20,276,676)</u>

TOTAL NET POSITION - (DEFICIT) \$ (18,022,691)

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

REED CITY AREA PUBLIC SCHOOLS  
REED CITY, MICHIGAN

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2018

<u>FUNCTIONS/PROGRAMS</u>	<u>EXPENSES</u>	<u>PROGRAM REVENUES</u>			<u>GOVERNMENTAL ACTIVITIES NET (EXPENSE) REVENUE AND CHANGES IN NET POSITION</u>
		<u>CHARGES FOR SERVICES</u>	<u>OPERATING GRANTS</u>	<u>CAPITAL GRANTS</u>	
<u>GOVERNMENTAL ACTIVITIES</u>					
Instruction	\$ 9,728,241	\$ 0	\$ 2,644,281	\$ 0	\$ (7,083,960)
Supporting Services	4,713,776	164,253	544,874	0	(4,004,649)
Community Services	46,323	24,004	26,868	0	4,549
Food Service Activities	819,633	218,338	684,700	0	83,405
Capital Projects	628	0	0	0	(628)
Interest on Long-Term Debt	410,994	0	0	0	(410,994)
Other Transactions	44,578	0	0	0	(44,578)
Unallocated Depreciation	588,445	0	0	0	(588,445)
TOTAL GOVERNMENTAL ACTIVITIES	\$ 16,352,618	\$ 406,595	\$ 3,900,723	\$ 0	(12,045,300)
<u>GENERAL REVENUES</u>					
Property Taxes -Levied for General Purposes					2,037,475
Property Taxes -Levied for Debt Service					1,187,134
Investment Earnings					35,255
State Sources					9,623,100
Other					208,986
Total General Revenues					13,091,950
Change in Net Position					1,046,650
<u>NET POSITION</u> - Beginning of Year - (As Restated) (Deficit)					(19,069,341)
<u>NET POSITION</u> - End of Year - (Deficit)					\$ (18,022,691)

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

REED CITY AREA PUBLIC SCHOOLS  
REED CITY, MICHIGAN

BALANCE SHEET  
GOVERNMENTAL FUNDS

JUNE 30, 2018

	GENERAL FUND	2016 SCHOOL BUILDING AND SITE FUND	NONMAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
<b><u>ASSETS</u></b>				
Cash and Cash Equivalents	\$ 421,002	\$ 0	\$ 1,296,569	\$ 1,717,571
Restricted Cash	0	197,543	0	197,543
Investments	2,099,855	0	0	2,099,855
Restricted Investments	0	206,665	0	206,665
Accounts Receivable	13,216	0	4,693	17,909
Taxes Receivable	0	0	21	21
Due from Other Funds	1,842	0	19,075	20,917
Due from Other Governments	2,277,911	0	21,138	2,299,049
Inventories	4,384	0	12,191	16,575
Prepaid Expenditures	36,210	0	72,917	109,127
<b>TOTAL ASSETS</b>	<b>\$ 4,854,420</b>	<b>\$ 404,208</b>	<b>\$ 1,426,604</b>	<b>\$ 6,685,232</b>
<b><u>LIABILITIES AND FUND BALANCES</u></b>				
<b><u>LIABILITIES</u></b>				
Accounts Payable	\$ 9,847	\$ 0	\$ 24,748	\$ 34,595
Accrued Expenses	488,154	0	0	488,154
Salaries Payable	830,274	0	0	830,274
Note Payable	533,911	0	0	533,911
Due to Other Funds	19,075	0	1,842	20,917
Due to Other Governments	143,079	0	0	143,079
Unearned Revenue	163,687	0	27,954	191,641
<b>Total Liabilities</b>	<b>2,188,027</b>	<b>0</b>	<b>54,544</b>	<b>2,242,571</b>
<b><u>FUND BALANCES</u></b>				
Nonspendable:				
Inventory	4,384	0	12,191	16,575
Prepaid Expenditures	36,210	0	72,917	109,127
Restricted for:				
Debt Service	0	0	337,248	337,248
Food Service	0	0	274,159	274,159
Capital Projects	0	404,208	0	404,208
Assigned to:				
Community Services	0	0	4,835	4,835
Future Capital Projects	0	0	670,710	670,710
Unassigned	2,625,799	0	0	2,625,799
<b>Total Fund Balances</b>	<b>2,666,393</b>	<b>404,208</b>	<b>1,372,060</b>	<b>4,442,661</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 4,854,420</b>	<b>\$ 404,208</b>	<b>\$ 1,426,604</b>	<b>\$ 6,685,232</b>

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

REED CITY AREA PUBLIC SCHOOLS  
REED CITY, MICHIGAN

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

JUNE 30, 2018

Total Governmental Fund Balances	\$ 4,442,661
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not financial resources and are not reported in the funds.	
The cost of the capital assets is	\$22,682,470
Accumulated depreciation is	<u>(8,559,119)</u>
	14,123,351
Other long-term assets are not available for pay for current period expenditures and, therefore, are deferred in the funds. These assets consist of:	
Deferred Loss on Refunding	76,173
Long-term liabilities are not due and payable in the current period and are not reported in the funds.	
Bonds Payable	(12,305,000)
Bond Premium	(539,978)
Compensated Absences	(191,402)
Installment Purchase Agreement	(45,862)
Accrued interest is not included as a liability in governmental funds, it is recorded when paid.	(70,314)
Some liabilities, including net pension and other postemployment benefits obligations are not due and payable in the current period and, therefore, are not reported in the funds.	
Net Pension Liability	(19,760,858)
Net Other Postemployment Benefits Liability	(6,748,500)
Deferred outflows and inflows of resources related to pensions and other postemployment benefits are applicable to future periods and, therefore, are not reported in the funds.	
Deferred Outflows of Resources	5,237,165
Deferred Inflows of Resources	<u>(2,240,127)</u>
NET POSITION OF GOVERNMENTAL ACTIVITIES	<u>\$ (18,022,691)</u>

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

REED CITY AREA PUBLIC SCHOOLS  
REED CITY, MICHIGAN

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

YEAR ENDED JUNE 30, 2018

	GENERAL FUND	2016 SCHOOL BUILDING AND SITE FUND	NONMAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
<u>REVENUES</u>				
Local Sources	\$ 2,273,843	\$ 175,850	\$ 1,435,143	\$ 3,884,836
State Sources	11,857,913	0	17,064	11,874,977
Federal Sources	598,990	0	667,637	1,266,627
Other Transactions	356,743	0	0	356,743
Total Revenues	15,087,489	175,850	2,119,844	17,383,183
<u>EXPENDITURES</u>				
Instruction	9,410,519	0	0	9,410,519
Supporting Services	4,937,299	0	0	4,937,299
Community Services	26,868	0	25,214	52,082
Food Service Activities	0	0	830,887	830,887
Capital Projects	0	2,277,759	235,411	2,513,170
Debt Service				
Principal	0	0	915,804	915,804
Interest and Other	0	0	448,927	448,927
Other Transactions	44,578	0	0	44,578
Total Expenditures	14,419,264	2,277,759	2,456,243	19,153,266
Excess (Deficiency) of Revenues Over Expenditures	668,225	(2,101,909)	(336,399)	(1,770,083)
<u>OTHER FINANCING SOURCES (USES)</u>				
Transfers In (Out)	(348,644)	0	348,644	0
Net Change in Fund Balance	319,581	(2,101,909)	12,245	(1,770,083)
<u>FUND BALANCE</u> - Beginning of Year	2,346,812	2,506,117	1,359,815	6,212,744
<u>FUND BALANCE</u> - End of Year	\$ 2,666,393	\$ 404,208	\$ 1,372,060	\$ 4,442,661

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

REED CITY AREA PUBLIC SCHOOLS  
REED CITY, MICHIGAN

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

YEAR ENDED JUNE 30, 2018

Net Change in Fund Balances Total Governmental Funds \$ (1,770,083)

Amounts reported for governmental activities are different because:

Governmental funds report capital outlays as expenditures. In the Statement of Activities these costs are allocated over their estimated useful lives as depreciation. Additionally, the gain or loss on sale or disposal of capital assets is recorded in the Statement of Activities.

Capital Outlay	2,580,665
Depreciation Expense	(588,445)

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	74,510
Accrued Interest Payable - End of Year	(70,314)

The issuance of Long-Term Debt provides current financial resources to governmental funds, while the repayment of the principal of Long-Term Debt consumes the current financial resources of governmental funds. Also, governmental funds report the effect of premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities.

The net changes in long-term liabilities are:

Repayment of Debt Principal	915,804
Amortization of Deferred Charges	33,737

Employees Early Retirement and Accumulated Sick Pay are reported on the accrual method in the Statement of Activities, and recorded as an expenditure when financial resources are used in the governmental funds:

Accumulated Sick Pay - Beginning of Year	196,806
Accumulated Sick Pay - End of Year	(191,402)

Deferred outflows and inflows of resources related to pensions and other postemployment benefits are applicable to future periods and, therefore, are not reported in the funds.

Changes in Pension Related Items	(193,457)
Changes in Other Postemployment Benefits Related Items	42,744

Restricted revenue reported in the governmental funds that is deferred to offset the deferred outflows of Section 147 C pension and other postemployment benefit contributions subsequent to the measurement date.

Change in State Aid Funding for Pension and Other Postemployment Benefits	<u>16,085</u>
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CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	<u>\$ 1,046,650</u>
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The notes to the financial statements are an integral part of this statement.

REED CITY AREA PUBLIC SCHOOLS  
REED CITY, MICHIGAN

STATEMENT OF FIDUCIARY NET POSITION  
FIDUCIARY FUNDS

JUNE 30, 2018

	PRIVATE PURPOSE TRUST FUNDS	AGENCY FUNDS
<u>ASSETS</u>		
Cash and Cash Equivalents	\$ 101,723	\$ 198,412
Notes Receivable (net of allowance for doubtful accounts)	19,397	0
TOTAL ASSETS	<u>121,120</u>	<u>198,412</u>
<u>LIABILITIES</u>		
Accounts Payable	0	127
Due to Groups and Organizations	0	198,285
TOTAL LIABILITIES	<u>0</u>	<u>198,412</u>
<u>NET POSITION</u>		
Restricted for:		
Scholarships and Memorials	<u>\$ 121,120</u>	<u>\$ 0</u>

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



REED CITY AREA PUBLIC SCHOOLS  
REED CITY, MICHIGAN

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
FIDUCIARY FUNDS

JUNE 30, 2018

	<u>PRIVATE PURPOSE TRUST FUNDS</u>
<u>ADDITIONS</u>	
Donations	\$ 798
Interest and Dividends	768
Total Additions	1,566
<u>DEDUCTIONS</u>	
Scholarship Awards	2,300
Change in Net Position	(734)
<u>NET POSITION</u> - Beginning of Year	121,854
<u>NET POSITION</u> - End of Year	<u>\$ 121,120</u>

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

REED CITY AREA PUBLIC SCHOOLS  
REED CITY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**A. Reporting Entity**

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

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

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

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

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

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

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

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

REED CITY AREA PUBLIC SCHOOLS  
REED CITY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018

The District reports the following major governmental fund:

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 *2016 School Building and Site Fund* accounts for expenditures related to the 2016 Bond Issue.

Other non-major funds:

The *special revenue (School Service) fund* accounts 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 and community services activities in the special revenue funds.

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

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

Additionally, the District reports the following fiduciary funds:

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

The *private purpose trust funds* are accounted for using the accrual method of accounting. Private purpose funds account for contributions earmarked for scholarships available to qualifying students of the District.

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

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

#### **E. Measurement Focus and Basis of Accounting**

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

REED CITY AREA PUBLIC SCHOOLS  
REED CITY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018

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

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

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

The private-purpose trust funds are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. The agency fund has no measurement focus but utilizes the *accrual basis of accounting* for reporting its assets and liabilities.

## **F. Budgetary Information**

### ***1. Budgetary Basis of Accounting***

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

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

REED CITY AREA PUBLIC SCHOOLS  
REED CITY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018

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

Prior to May, the various principals, directors and supervisors review operating budgets by program or building for the fiscal year commencing the following July 1, and submit them to the business manager.

This information is used to develop a budget and resolution for the General Fund and Special Revenue Funds. This includes proposed expenditures and the means of financing them and is compiled on a basis consistent with accounting principles generally accepted in the United States of America. In June, the budget resolution is subjected to a public hearing before the full Board and is adopted within seven days after this hearing and before July 1, the first day of the budgeted fiscal year.

Any revisions which increase or decrease expenditures for a program must be approved by the Board. The superintendent is authorized to transfer budgeted amounts between functions within any fund. The final budget reflects all revisions approved by the Board during the year. Unexpended appropriations lapse to the next fiscal year.

The budget is integrated with the accounting system of the District and is used as a management control device during the year.

Budgeted amounts are as originally adopted on June 19, 2017, or as amended by the School Board of Education at various times throughout the year.

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

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

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

***2. Investments and Restricted Investments***

Investments are carried at amortized cost which approximates fair value. The District complies with State statutes regarding investment of funds.

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

- (a) Bonds, bills, or notes of the United States, or obligations, the principal and interest of which are fully guaranteed by the United States.
- (b) Certificates of deposit issued by any state or national bank organized and authorized to operate in this state. Some investments authorized by state law are shown as cash on the financial statements.

REED CITY AREA PUBLIC SCHOOLS  
REED CITY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018

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

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

The School's deposits and investments are held separately by several of the School District's funds.

**3. *Inventory and Prepaid Items***

Inventory is valued at cost using the first-in/first-out method and consist primarily of food, teaching and office supplies. USDA donated commodities are recorded at fair value. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid expenditures.

**4. *Capital Assets***

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

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

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

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

The District's capitalization policy is to capitalize individual amounts exceeding \$5,000.

**5. *Deferred Outflows/Inflows of Resources***

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District has three items that qualify for reporting in this category. One is the deferred charge on refunding reported in the government-wide *Statement of Net Position*. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or funding debt. The other two deferred outflows relate to the pension and other postemployment benefit plans for its employees. Details can be found in footnote 2-E and 2-F.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. The separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as

REED CITY AREA PUBLIC SCHOOLS  
REED CITY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018

an inflow of resources (revenue) until that time. The District has two items that qualify for reporting in this category. They are future resources yet to be recognized in relation to the pension and other postemployment benefit actuarial calculation. These future resources arise from differences in the estimates used by the actuary to calculate the pension and other postemployment benefit liability and the actual results. Details can be found in footnote 2-E and 2-F.

**6. *Defined Benefit Plans***

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

**7. *Unearned Revenue***

Unearned revenue arises when resources are received by the District before it has a legal claim to them. In subsequent periods, when both revenue recognition criteria are met, or when the government has a legal claim to the resources, revenue is recognized. The District has unearned revenue related to state and local grants received and unspent due to restrictions on how they can be spent.

**8. *Long-Term Obligations***

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

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

**9. *Net Position Flow Assumption***

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

REED CITY AREA PUBLIC SCHOOLS  
REED CITY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018

***10. Fund Balance Flow Assumption***

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

***11. Fund Balance Policies***

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

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

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

***12. Use of Estimates***

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

***13. Restricted Assets***

Certain resources of the 2016 School Building and Site Fund which are set aside for capital projects are classified as restricted cash and investments on the balance sheet because their use is limited by applicable bond covenants.



REED CITY AREA PUBLIC SCHOOLS  
REED CITY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018

**H. Revenues and Expenditures/Expenses**

**1. State Revenue**

The State of Michigan utilizes a foundation grant approach which provides for a specific annual amount of revenue per pupil based on a statewide formula. The Foundation is funded from state and local sources. Revenues from state sources are primarily governed by the School Aid Act and the School Code of Michigan. The Michigan Department of Education administers the allocation of state funds to school districts based on information supplied by the districts. For the year ended June 30, 2018, the foundation allowance was based on pupil membership counts taken in February of 2017 and October of 2017. For fiscal year ended June 30, 2018, the per pupil foundation allowance was \$7,631 for Reed City Area Public Schools.

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

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

**2. Federal Revenue**

Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met.

**3. Program Revenues**

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

**4. Property Taxes**

Properties are assessed as of December 31. Taxes are levied and become a lien on December 1. These taxes are due on February 14, with the final collection date of February 28, before they are added to the county delinquent tax rolls. Delinquent real property taxes are purchased by the counties of Mecosta, Newaygo, Osceola and Lake and remitted to the District after settlement.

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

<u>Fund</u>	<u>Mills</u>
General Fund - Non-Principal Residence Exemption (PRE)	18.00
General Fund - Non-PRE Commercial PPT	6.00
Debt Service Fund - PRE and Non-PRE	3.90

**5. *Compensated Absences***

District employees are granted vacation and sick leave in varying amounts based on length of service. Unused vacation time does not accumulate from year-to-year. Sick leave is accumulated at different rates for various categories of employees. Unused sick leave accumulates from year-to-year to a maximum described in the contract. In the fund financial statements, only the matured liability for compensated absences is reported. The total liability is reported on the district-wide financial statements.

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

**A. Deposits and Investments**

*Custodial credit risk – deposits.* In the case of deposits, this is the risk that in the event of a bank failure, the government’s deposits may not be returned to it. As of June 30, 2018, the District’s bank balance was \$2,435,935 and \$1,389,244 of that amount was exposed to custodial credit risk because it was uninsured and uncollateralized. The risk is spread amongst the District’s funds. Although the District’s investment policy does not directly address custodial credit risk, it typically limits its exposure by purchasing insured or registered investments or by controlling who holds the deposits.

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

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

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

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

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

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

	Fair Value	Weighted Average Maturity (Years)	Standard & Poor's Rating	%
MILAF+ External Investment Pool - Max Class	\$ 2,306,476	0.0027	AAAm	100.00%
MILAF+ External Investment Pool - Cash Mgmt	44	0.0027	AAAm	0.00%
	<u>\$ 2,306,520</u>			<u>100.00%</u>
Portfolio Weighted Average Maturity		<u>0.0027</u>		

1 Day Maturity Equals 0.0027, One Year Equals 1.000

The District invests certain excess funds in external pooled investment funds which include money market funds. One of the pooled investment funds utilized by the District is the Michigan Investment Liquid Asset Fund Plus (MILAF+). MILAF+ is a local government investment pool of “qualified” investments for Michigan school districts. MILAF+ is not regulated nor is it registered with the SEC. MILAF+ reports as of June 30, 2018, the fair value of the District’s investments is the same as the value of the pooled shares. MILAF, as defined by GASB, is recorded at amortized cost which approximates fair value. The MILAF+ portfolio offers three share classes which are: Cash Management Class, MAX Class, and GovMIC Class. The only class that has limitations or restrictions on withdrawals is MAX Class, which requires notification of redemptions prior to 14 days to avoid penalties. The MILAF+ portfolio is not subject to fair value disclosures.

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

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

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

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

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

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

The carrying amount of deposits and investments is as follows:

Deposits – including Fiduciary Funds of \$300,135	<u>Total</u>
	\$ 2,215,249
Investments	2,306,520
	<u>\$ 4,521,769</u>

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

Cash - Fiduciary Funds	<u>Total</u>
	\$ 300,135
Cash - District-Wide	1,717,571
Restricted Cash - District-Wide	197,543
Investments	2,099,855
Restricted Investments	206,665
	<u>\$ 4,521,769</u>

**B. Receivables**

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

	<u>General</u>	<u>Nonmajor</u>	<u>Total</u>
	Fund	Funds	
Receivables			
Accounts	\$ 13,216	\$ 4,693	\$ 17,909
Taxes	0	21	21
Due from Other Governments	2,277,911	21,138	2,299,049
Total Receivables	<u>\$ 2,291,127</u>	<u>\$ 25,852</u>	<u>\$ 2,316,979</u>

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

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**C. Capital Assets**

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

	Balance July 1, 2017	Additions	Deletions	Balance June 30, 2018
Assets Not Being Depreciated:				
Land	\$ 274,694	\$ 0	\$ 0	\$ 274,694
Construction in Progress	1,373,108	6,511	1,373,108	6,511
Total Capital Assets, Not Being Depreciated	1,647,802	6,511	1,373,108	281,205
Other Capital Assets:				
Buildings	15,978,881	2,899,669	0	18,878,550
Land Improvements	232,851	284,895	0	517,746
Machinery and Equipment	746,517	762,698	19,000	1,490,215
Transportation Equipment	1,526,003	0	11,249	1,514,754
Subtotal	18,484,252	3,947,262	30,249	22,401,265
Accumulated Depreciation				
Buildings	6,316,907	355,366	0	6,672,273
Land Improvements	216,708	18,947	0	235,655
Machinery and Equipment	552,119	94,280	19,000	627,399
Transportation Equipment	915,189	119,852	11,249	1,023,792
Total Accumulated Depreciation	8,000,923	588,445	30,249	8,559,119
Net Other Capital Assets	10,483,329	3,358,817	0	13,842,146
Net Capital Assets	\$ 12,131,131	\$ 3,365,328	\$ 1,373,108	\$ 14,123,351

Depreciation for the fiscal year ended June 30, 2018, amounted to \$588,445. The District determined that it was impractical to allocate depreciation to the various governmental activities as the assets serve multiple functions.

**D. Defined Benefit Plan and Post-Employment Benefits**

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

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

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**Benefit Provisions- Overall**

***Introduction***

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

<b><u>Plan Name</u></b>	<b><u>Plan Type</u></b>	<b><u>Plan Status</u></b>
Basic	Defined Benefit	Closed
Member Investment Plan (MIP)	Defined Benefit	Closed
Pension Plus	Hybrid	Closed
Pension Plus 2	Hybrid	Open
Defined Contribution	Defined Contribution	Open

**Benefits Provided - Pension**

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

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

***Pension Reform 2010***

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

***Pension Reform 2012***

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

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

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

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

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

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

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

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

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

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

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

***Pension Reform of 2017***

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

**Benefits Provided – Other Postemployment Benefit (OPEB)**

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

***Retiree Healthcare Reform of 2012***

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

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



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***Regular Retirement (no reduction factor for age)***

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

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

**Member Contributions**

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

**Employer Contributions**

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 statute and may be amended only by action of the State Legislature.

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

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

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

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

The District’s pension contributions for the year ended June 30, 2018 were equal to the required contribution total. Pension contributions were approximately \$1,982,827.

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The District's OPEB contributions for the year ended June 30, 2018 were approximately \$477,307.

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

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

**Pension Liabilities**

At June 30, 2018, the District reported a liability of \$19,760,858 for its proportionate share of the net pension liability. The net pension liability was measured as of September 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation date of September 30, 2016 and rolled-forward using generally accepted actuarial procedures. The District's proportion of the net pension liability was based on a projection of its long-term share of contributions to the pension plan relative to the projected contributions of all participating reporting units, actuarially determined. At September 30, 2017 and 2016, the District's proportion was .0762548% and .0747861%

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

	<u>September 30, 2017</u>	<u>September 30, 2016</u>
Total Pension Liability	\$ 72,407,218,688	\$ 67,917,445,078
Plan Fiduciary Net Position	46,492,967,573	42,968,263,308
Net Pension Liability	\$ 25,914,251,115	\$ 24,949,181,770
 Plan Fiduciary Net Position as a Percentage of Total Pension Liability	64.21%	63.27%
 Net Pension Liability as a Percentage of Covered Payroll	309.13%	295.81%

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

For the year ended June 30, 2018, the District recognized total pension expense of \$1,389,707. This amount excludes contributions funded from state revenue Section 147c restricted to fund the MPSERS Unfunded Actuarial Accrued Liability (UAAL) Stabilization Rate.

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

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 171,735	\$ 86,962
Section 147c revenue related to District Pension contributions subsequent to measurement date	0	786,578
Changes of assumptions	2,164,959	0
earnings on pension plan investments	0	944,699
Changes in proportion and differences between District contributions and proportionate share of contributions	646,317	183,739
District contributions subsequent to the measurement date	1,812,195	0
<b>Total</b>	<b>\$ 4,795,206</b>	<b>\$ 2,001,978</b>

\$1,812,195 reported as deferred outflows of resources and \$786,578 reported as deferred inflows or resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources (+) and deferred inflows of resources (-) related to pensions will be recognized in pension expense as follows:

<b>Year Ended September 30,</b>	<b>Amount</b>
2018	\$ 467,755
2019	827,900
2020	463,467
2021	(1,511)
	<b>\$ 1,757,611</b>

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

**OPEB Liabilities**

At June 30, 2018, the District reported a liability of 6,748,500 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of September 30, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation date of September 30, 2016 and rolled-forward using generally accepted actuarial procedures. The District's proportion of the net OPEB liability was based on a projection of its long-term share of contributions to the OPEB plan relative to the projected contributions of all participating reporting units, actuarially determined. At September 30, 2017, the District's proportion was 0.0762071%.

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

	<u>September 30, 2017</u>	<u>September 30, 2016</u>
Total OPEB Liability	\$ 13,920,945,991	\$ 14,071,279,615
Plan Fiduciary Net Position	<u>5,065,474,948</u>	<u>4,730,719,539</u>
OPEB Liability	<u>\$ 8,855,471,043</u>	<u>\$ 9,340,560,076</u>
Plan Fiduciary Net Position as a Percentage of Total OPEB Liability	36.39%	33.62%
OPEB Liability as a Percentage of Covered Payroll	105.64%	Unknown

**OPEB Expense and Deferred Inflows and Outflows of Resources Related to OPEB**

For the year ended June 30, 2018, the District recognized total OPEB expense of \$434,563.

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

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 0	\$ 71,852
Changes of assumptions	0	0
Net difference between projected and actual earnings on OPEB plan investments	0	156,297
Changes in proportion and differences between District contributions and proportionate share of contributions	333	0
District contributions subsequent to the measurement date	<u>441,626</u>	<u>0</u>
<b>Total</b>	<u>\$ 441,959</u>	<u>\$ 228,149</u>

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\$441,626 reported as deferred outflows of resources related to OPEB resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources (+) and deferred inflows of resources (-) related to OPEB will be recognized in OPEB expense as follows:

<u>Year Ended September 30,</u>	<u>Amount</u>
2018	\$ (55,059)
2019	(55,059)
2020	(55,059)
2021	(55,059)
2022	(7,580)
	<hr/> <u>\$ (227,816)</u>

**G. Actuarial Valuations and Assumptions of the Pension and OPEB Plans**

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

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

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

**Inflation** - 3.0%

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

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

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

**Cost of living pension adjustments** - 3.0% annual non-compounded for MIP members.

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NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018

**Healthcare cost trend rate for other postemployment benefit** - 7.5% for year one and graded to 3.5% to year twelve.

**Additional assumptions for other postemployment benefit only - Applies to individuals hired before September 4, 2012:**

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

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

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

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

<u>Investment Category</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic Equity Pools	28.00%	5.60%
Alternative Investment Pools	18.00%	8.70%
International Equity	16.00%	7.20%
Fixed Income Pools	10.50%	-0.10%
Real Estate & Infrastructure Pools	10.00%	4.20%
Absolute Return Pools	15.50%	5.00%
Short-Term Investment Pools	2.00%	-0.90%
	<u>100%</u>	

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

***Pension Discount Rate***

A discount rate of 7.5% was used to measure the total pension liability (7.0% for the Pension Plus plan). This discount rate was based on the long-term expected rate of return on pension plan investments of 7.5% (7.0% for the Pension Plus plan). The projection of cash flows used to determine this discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

***OPEB Discount Rate***

The discount rate of 7.5% was used to measure the total OPEB liability. This discount rate was based on the long-term expected rate of return on OPEB plan investments of 7.5%. The projection of cash flows used to

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NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018

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

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

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

<b>1% Decrease (Non-Hybrid/Hybrid) 6.5% / 6.0%</b>	<b>Current Single Discount Rate Assumption (Non-Hybrid/Hybrid) 7.5% / 7.0%</b>	<b>1% Increase (Non-Hybrid/Hybrid) 8.5% / 8.0%</b>
\$ 25,741,825	\$ 19,750,858	\$ 14,725,264

***Sensitivity of the District's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate***

The following presents the Reporting Unit's proportionate share of the net OPEB liability calculated using the discount rate of 7.5%, as well as what the Reporting Unit's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

<b>1% Decrease 6.5%</b>	<b>Current Single Discount Rate Assumption 7.5%</b>	<b>1% Increase 8.5%</b>
\$ 7,904,444	\$ 6,748,500	\$ 5,767,466

***Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rates***

The following presents the Reporting Unit's proportionate share of the net other postemployment benefit liability calculated using the healthcare cost trend rate of 7.5% (decreasing to 3.5%), as well as what the Reporting Unit's proportionate share of the net other postemployment benefit liability would be if it were calculated using a healthcare cost trend rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

<b>1% Decrease (6.5% decreasing to 2.5%)</b>	<b>Current Healthcare Cost Trend Rates (7.5% decreasing to 3.5%)</b>	<b>1% Increase (8.5% decreasing to 4.5%)</b>
\$ 5,715,073	\$ 6,748,500	\$ 7,921,885

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**H. Pension and OPEB Plan Fiduciary Net Position**

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

**I. Payables to the Pension Plan**

As of June 30, 2018, the District is current on all required pension and OPEB plan payments. As of June 30, 2018, the District reported payables in the amount of \$358,725 to the pension and OPEB plan. These amounts represent current payments for June wages paid in July, accruals for summer pay primarily for teachers and also the contributions due funded from state revenue Section 147c restricted to fund the MPERS Unfunded Actuarial Accrued Liability (UAAL) Stabilization Rate.

**J. Risk Management**

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

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

**K. Lease Information**

Operating Leases

The lease consists of a lease agreement on a combination of copiers and printers located throughout the District. The future minimum lease payments for these leases are as follows:

<u>YEAR ENDING</u>	
2019	\$ 102,364
2020	102,364
2021	102,364
2022	102,364
2023	17,061
	<hr/>
	\$ 426,517
	<hr/>

The District's total copier lease expense for the year was \$101,930. This includes a monthly maintenance fee.



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NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018

**L. Long-Term Liabilities**

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

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

	BONDS PAYABLE	INSTALLMENT PURCHASE AGREEMENT	COMPENSATED ABSENCES	NET OPEB LIABILITY	NET PENSION LIABILITY	TOTAL
Balance, July 1, 2017	\$ 13,130,000	\$ 136,666	\$ 196,806	\$ 7,118,173	\$ 18,658,520	\$ 39,240,165
Additions	0	0	0	223,632	2,890,918	3,114,550
Deletions	(825,000)	(90,804)	(5,404)	(593,305)	(1,788,580)	(3,303,093)
Balance, June 30, 2018	\$ 12,305,000	\$ 45,862	\$ 191,402	\$ 6,748,500	\$ 19,760,858	\$ 39,051,622
Total due within one year	\$ 850,000	\$ 45,862	\$ 0	\$ 0	\$ 0	\$ 895,862

The District's liability obligations at June 30, 2018, are comprised of the following issues:

\$3,030,000 2012 Refunding Bonds due in annual installments of \$260,000 to \$710,000 , plus interest, through May 1, 2020. Interest rate of 3.0%.	\$ 970,000
\$7,645,000 2015 Refunding Bonds due in annual installments of \$50,000 to \$805,000 plus interest, through May 1, 2029. Interest rates range from 3.00% to 4.00%.	7,565,000
\$3,850,000 2016 School Building and Site Bonds due in annual installments of \$90,000 to \$565,000 plus interest, through May 2031. Interest rates range from 2.00% to 2.750%.	3,770,000
\$530,500 installment purchase agreement for the purchase of 6 buses. Due in semi- annual installments of \$46,172, including interest, at 1.35%, through October 26, 2018.	45,862
Net Pension Liability	19,760,858
Net Other Postemployment Liability	6,748,500
Compensated Absences	191,402
Total Long-Term Debt	<u>\$ 39,051,622</u>

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NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018

Year Ending June 30,	Bonds Payable		Installment Purchase Agreement		Amounts Payable
	Principal	Interest	Principal	Interest	
2019	\$ 850,000	\$ 421,263	\$ 45,862	\$ 310	\$ 1,317,435
2020	880,000	396,663	0	0	1,276,663
2021	910,000	366,163	0	0	1,276,163
2022	945,000	332,063	0	0	1,277,063
2023	980,000	297,062	0	0	1,277,062
2024-2028	5,425,000	940,410	0	0	6,365,410
2029-2032	2,315,000	119,514	0	0	2,434,514
	<u>\$ 12,305,000</u>	<u>\$ 2,873,138</u>	<u>\$ 45,862</u>	<u>\$ 310</u>	<u>\$ 15,224,310</u>

The annual requirements to amortize the compensated absences are uncertain because it is unknown when the employees will use the sick leave. The annual requirements to amortize the net pension and net OPEB liabilities are uncertain because it is unknown when the liability will be paid.

Compensated absences, the net OPEB liability, and the net pension liability will be paid by the fund in which the employee worked, including the general fund and other governmental funds.

**M. Short-Term Debt**

The District has borrowed on state aid anticipation notes in order to meet its cash flow needs as follows:

	<u>STATE AID NOTES</u>
Balance, July 1, 2017	\$ 816,025
Additions	990,000
Deletions	<u>(1,272,114)</u>
Balance, June 30, 2018	<u>\$ 533,911</u>

The notes were issued August 21, 2017. The note of \$540,000 carries an interest rate of 1.270% and an additional note in the amount of \$450,000 carries an interest rate of 1.639% which are due August 20, 2018. The district made payments into a non-refundable escrow account. As such, the remaining balance at June 30, 2018 was \$533,911. The portion paid to escrow is considered defeased and is not shown on the District's financial statements at year-end. Of the remaining balance, \$77,225 was repaid on July 20, 2018 and the remainder of \$990,000 will be repaid August 20, 2018. Also, on August 20, 2018 the District will issue new State Aid Notes totaling \$858,000 which is due on August 20, 2019.

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NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018

**N. Interfund Receivables and Payables**

	INTERFUND RECEIVABLES	INTERFUND PAYABLES
General Fund	\$ 1,842	\$ 19,075
Community Services Fund	0	117
2012 Debt Retirement	6,441	0
2015 Debt Retirement	2,947	0
2016 Debt Retirement	1,528	0
Food Service Fund	8,159	1,725
	<hr/>	<hr/>
	\$ 20,917	\$ 20,917
	<hr/> <hr/>	<hr/> <hr/>

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

**O. Interfund Transfers**

	TRANSFERS IN	TRANSFERS OUT
General Fund	\$ 2,600	\$ 351,244
Food Service Fund	0	2,600
2012 Debt Retirement Fund	0	64,772
2016 Debt Retirement Fund	64,772	0
Other Debt Retirement	92,344	0
Capital Projects Fund	258,900	0
	<hr/>	<hr/>
	\$ 418,616	\$ 418,616
	<hr/> <hr/>	<hr/> <hr/>

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

**P. Other Information**

**1. Single Audit**

Current federal guidelines require entities with federal expenditures exceeding \$750,000 to have a “single audit” of federally funded programs. This audit is being performed and the reports based thereon will be issued under a separate cover.

REED CITY AREA PUBLIC SCHOOLS  
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NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018

**2. Commitments and Contingencies**

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

Commitments – The District entered into several contracts during the year that were uncomplete at year end. The District has uncompleted contract commitments totaling approximately \$370,000 which will be funded primarily by the District’s capital projects funds.

**Q. Tax Abatement Disclosures**

Effective for the year ended June 30, 2018, the District is required to disclose significant tax abatements as required by GASB statement 77 (tax abatements).

The District received reduced property tax revenue as a result of Industrial Facilities Tax (IFT) exemptions granted by governmental entities within the District. The City of Reed City and Hersey Township are the only governmental entities within the District with IFT abatements. Industrial facility exemptions are intended to promote construction of new industrial facilities, acquisition of personal property or to rehabilitate historical facilities.

For the fiscal year ended June 30, 2018, (tax year 2017) the District’s property tax revenues were reduced by approximately \$32,500 under this program.

The District is considered to be an “in-formula” district. The taxes abated for the General Fund operating millage are considered by the State of Michigan when determining the District’s section 22 funding of the State School Aid Act. The District received approximately \$28,500 from the State of Michigan’s determination.

The District received reduced property tax revenue as a result of “New PPT” PA 328 of 1998 exemptions granted by governmental entities within the District. The City of Reed City is the only governmental entity within the District with New PPT abatements. New PPT abatements are intended to promote bringing new business or more business to the State of Michigan.

For the fiscal year ended June 30, 2018, (tax year 2017) the District’s property tax revenues were reduced by approximately \$151,000 under this program.

**R. Capital Projects Fund**

The 2016 Capital Project Fund includes capital project activities funded with bonds issued after May 1, 1994. For these capital projects, the District has complied with the applicable provisions of §1351a of the Revised School Code.

**S. New Accounting Standards**

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

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NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018

**Summary:**

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

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

Net Position - Governmental Activities - As Previously Reported, June 30, 2017	\$ (12,274,225)
Adoption of GASB Statement 75:	
Net Other Postemployment Benefit Liability	(7,118,173)
Deferred outflows related to Other Postemployment Benefits	540,739
Deferred inflows related to Other Postemployment Benefits	<u>(217,682)</u>
Net Position - Governmental Activities - Restated as of June 30, 2017	<u><u>\$ (19,069,341)</u></u>

**NOTE 3 – UPCOMING ACCOUNTING PRONOUNCEMENTS**

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

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

Governmental Account Standards Board (GASB) Statement No. 87, *Leases*, was issued by the GASB in June 2017 and will be effective for the District's 2021 year end. The objective of this Statement is to increase the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use the underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities.

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REQUIRED SUPPLEMENTARY INFORMATION  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND

YEAR ENDED JUNE 30, 2018

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL
<u>REVENUES</u>			
Local Sources	\$ 2,578,800	\$ 2,294,612	\$ 2,273,843
State Sources	11,534,509	11,823,219	11,857,913
Federal Sources	771,959	615,434	598,990
Other Transactions	337,400	362,990	356,743
Total Revenues	15,222,668	15,096,255	15,087,489
<u>EXPENDITURES</u>			
Instruction			
Basic Instruction	7,680,549	7,735,937	7,677,644
Added Needs	1,789,321	1,753,049	1,732,875
Supporting Services			
Pupil	562,387	562,637	545,585
Instructional Staff	604,952	388,903	374,889
General Administration	434,665	423,300	410,112
School Administration	984,233	950,488	940,430
Business	278,647	254,517	248,280
Operating and Maintenance	1,226,105	1,160,366	1,142,420
Pupil Transportation	758,950	700,075	682,091
Central Services	228,041	240,881	236,600
Athletic Activities	336,910	360,618	356,892
Community Services			
Community Activities	2,083	5,131	3,051
Non Public School Pupils	0	24,212	23,817
Other Transactions	47,000	47,000	44,578
Total Expenditures	14,933,843	14,607,114	14,419,264
Excess (Deficiency) of Revenues Over Expenditures	288,825	489,141	668,225
<u>OTHER FINANCING SOURCES (USES)</u>			
Transfers In (Out)	(182,377)	(351,277)	(348,644)
Net Change in Fund Balance	106,448	137,864	319,581
<u>FUND BALANCE - Beginning of Year</u>	2,491,385	2,311,046	2,346,812
<u>FUND BALANCE - End of Year</u>	\$ 2,597,833	\$ 2,448,910	\$ 2,666,393

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

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
District's proportion of net pension liability (%)							0.0762548%	0.0747861%	0.0720302%	0.07402%
District's proportionate share of net pension liability							\$ 19,760,858	\$ 18,658,820	\$ 17,593,396	\$ 16,305,057
District's covered payroll							6,395,616	6,417,471	5,979,433	6,292,956
District's proportionate share of net pension liability as a percentage of its covered payroll							308.98%	290.75%	294.23%	259.10%
Plan fiduciary net position as a percentage of total pension liability							64.21%	63.27%	63.17%	66.20%

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REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF PENSION CONTRIBUTIONS  
MICHIGAN PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM  
LAST 10 FISCAL YEARS (AMOUNTS WERE DETERMINED AS OF 6/30 OF EACH FISCAL YEAR)  
JUNE 30, 2018

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Statutorily required contributions							\$ 1,982,827	\$ 1,773,929	\$ 1,672,229	\$ 1,312,195
Contributions in relation to statutorily required contributions *							1,982,827	1,773,929	1,672,229	1,312,195
Contribution deficiency (excess)							\$ 0	\$ 0	\$ 0	\$ 0
Covered Payroll							\$ 6,678,507	\$ 6,326,734	\$ 6,068,184	\$ 6,004,562
Contributions as a percentage of covered payroll							29.69%	28.04%	27.56%	21.85%

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



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

	2026	2025	2024	2023	2022	2021	2020	2019	2018	2017
District's proportion of net OPEB liability (%)										0.0762207%
District's proportionate share of net OPEB liability										\$ 6,748,500
District's covered payroll										6,395,616
District's proportionate share of net OPEB liability as a percentage of its covered payroll										105.52%
Plan fiduciary net position as a percentage of total OPEB liability										36.39%

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REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF OTHER POSTEMPLOYMENT BENEFIT CONTRIBUTIONS  
MICHIGAN PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM  
LAST 10 FISCAL YEARS (AMOUNTS WERE DETERMINED AS OF 6/30 OF EACH FISCAL YEAR)  
JUNE 30, 2018

	2027	2026	2025	2024	2023	2022	2021	2020	2019	2018
Statutorily required contributions										\$ 477,307
Contributions in relation to statutorily required contributions *										477,307
Contribution deficiency (excess)										\$ 0
Covered Payroll										\$ 6,678,507
Contributions as a percentage of covered payroll										7.15%

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

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NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
FOR YEAR ENDED JUNE 30, 2018

**A. Changes of Benefit Terms:**

There were no changes of benefit terms for the plan year ended September 30, 2017.

**B. Changes of Assumptions:**

There were no changes of benefit assumptions for the plan year ended September 30, 2017.

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COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS

JUNE 30, 2018

	<u>SPECIAL REVENUE</u>			<u>DEBT RETIREMENT</u>			<u>TOTAL</u>	
	<u>FOOD SERVICE FUND</u>	<u>COMMUNITY SERVICES FUND</u>	<u>CAPITAL PROJECT FUND</u>	<u>OTHER DEBT RETIREMENT FUND</u>	<u>2016 DEBT RETIREMENT FUND</u>	<u>2012 DEBT RETIREMENT FUND</u>		<u>2015 DEBT RETIREMENT FUND</u>
<b><u>ASSETS</u></b>								
Cash	\$ 273,974	\$ 25,574	\$ 670,710	\$ 0	\$ 66,006	\$ 91,401	\$ 168,904	\$ 1,296,569
Accounts Receivable	4,693	0	0	0	0	0	0	4,693
Taxes Receivable	0	0	0	0	3	12	6	21
Due from Other Funds	8,159	0	0	0	1,528	6,441	2,947	19,075
Due from Other Governments	21,138	0	0	0	0	0	0	21,138
Inventory	12,191	0	0	0	0	0	0	12,191
Prepaid Expenditures	72,917	0	0	0	0	0	0	72,917
<b>TOTAL ASSETS</b>	<b>\$ 393,072</b>	<b>\$ 25,574</b>	<b>\$ 670,710</b>	<b>\$ 0</b>	<b>\$ 67,537</b>	<b>\$ 97,854</b>	<b>\$ 171,857</b>	<b>\$ 1,426,604</b>
<b><u>LIABILITIES AND FUND BALANCE</u></b>								
<b><u>LIABILITIES</u></b>								
Accounts Payable	\$ 24,748	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 24,748
Due to Other Funds	1,725	117	0	0	0	0	0	1,842
Salaries Payable	0	0	0	0	0	0	0	0
Unearned Revenue	7,332	20,622	0	0	0	0	0	27,954
<b>Total Liabilities</b>	<b>33,805</b>	<b>20,739</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>54,544</b>
<b><u>FUND BALANCE</u></b>								
<b>Nonspendable:</b>								
Inventory	12,191	0	0	0	0	0	0	12,191
Prepaid Expenditures	72,917	0	0	0	0	0	0	72,917
<b>Restricted:</b>								
Debt Retirement	0	0	0	0	67,537	97,854	171,857	337,248
Food Service	274,159	0	0	0	0	0	0	274,159
<b>Assigned:</b>								
Community Services	0	4,835	0	0	0	0	0	4,835
Future Capital Projects	0	0	670,710	0	0	0	0	670,710
<b>Total Fund Balance</b>	<b>359,267</b>	<b>4,835</b>	<b>670,710</b>	<b>0</b>	<b>67,537</b>	<b>97,854</b>	<b>171,857</b>	<b>1,372,060</b>
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<b>\$ 393,072</b>	<b>\$ 25,574</b>	<b>\$ 670,710</b>	<b>\$ 0</b>	<b>\$ 67,537</b>	<b>\$ 97,854</b>	<b>\$ 171,857</b>	<b>\$ 1,426,604</b>

REED CITY AREA PUBLIC SCHOOLS  
REED CITY, MICHIGAN

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
NONMAJOR GOVERNMENTAL FUNDS

YEAR ENDED JUNE 30, 2018

	SPECIAL REVENUE			DEBT RETIREMENT				TOTAL
	FOOD SERVICE FUND	COMMUNITY SERVICES FUND	CAPITAL PROJECT FUND	OTHER DEBT RETIREMENT FUND	2016 DEBT RETIREMENT FUND	2012 DEBT RETIREMENT FUND	2015 DEBT RETIREMENT FUND	
<u>REVENUES</u>								
Local Sources	\$ 218,611	\$ 24,004	\$ 528	\$ 0	\$ 166,835	\$ 703,135	\$ 322,030	\$ 1,435,143
State Sources	17,064	0	0	0	0	0	0	17,064
Federal Sources	667,637	0	0	0	0	0	0	667,637
Total Revenues	903,312	24,004	528	0	166,835	703,135	322,030	2,119,844
<u>EXPENDITURES</u>								
Community Services	0	25,214	0	0	0	0	0	25,214
Food Service Activities	830,887	0	0	0	0	0	0	830,887
Capital Projects	0	0	235,411	0	0	0	0	235,411
Debt Service	0	0	0	92,344	172,242	750,887	349,258	1,364,731
Total Expenditures	830,887	25,214	235,411	92,344	172,242	750,887	349,258	2,456,243
Excess of Revenues Over (Under) Expenditures	72,425	(1,210)	(234,883)	(92,344)	(5,407)	(47,752)	(27,228)	(336,399)
<u>OTHER FINANCING SOURCES (USES)</u>								
Transfers In (Out)	(2,600)	0	258,900	92,344	64,772	(64,772)	0	348,644
Net Change in Fund Balance	69,825	(1,210)	24,017	0	59,365	(112,524)	(27,228)	12,245
<u>FUND BALANCE</u> - Beginning of Year	289,442	6,045	646,693	0	8,172	210,378	199,085	1,359,815
<u>FUND BALANCE</u> - End of Year	\$ 359,267	\$ 4,835	\$ 670,710	\$ 0	\$ 67,537	\$ 97,854	\$ 171,857	\$ 1,372,060

REED CITY AREA PUBLIC SCHOOLS  
REED CITY, MICHIGAN

STATEMENT OF FIDUCIARY NET POSITION  
FIDUCIARY FUND TYPES

JUNE 30, 2018

	<u>PRIVATE PURPOSE TRUST FUNDS</u>	<u>AGENCY FUNDS</u>	<u>TOTAL</u>
<u>ASSETS</u>			
Cash and Cash Equivalents	\$ 101,723	\$ 198,412	\$ 300,135
Notes Receivable (net of allowance for doubtful accounts of \$10,000)	19,397	0	19,397
<b>TOTAL ASSETS</b>	<b>121,120</b>	<b>198,412</b>	<b>319,532</b>
<u>LIABILITIES</u>			
Accounts Payable	0	127	127
Due to Groups and Organizations	0	198,285	198,285
<b>TOTAL LIABILITIES</b>	<b>0</b>	<b>198,412</b>	<b>198,412</b>
<u>NET POSITION</u>			
Restricted for:			
Scholarships and Memorials	\$ 121,120	\$ 0	\$ 121,120

REED CITY AREA PUBLIC SCHOOLS  
REED CITY, MICHIGAN

STATEMENT OF FIDUCIARY NET POSITION  
PRIVATE PURPOSE TRUST FUNDS

JUNE 30, 2018

	<u>JEWELL</u>	<u>EMPLOYEE</u>	<u>TOTAL</u>
	<u>SCHOLARSHIP</u>	<u>SCHOLARSHIP</u>	
<u>ASSETS</u>			
Cash and Cash Equivalents	\$ 101,459	\$ 264	\$ 101,723
Notes Receivable (net of allowance for doubtful accounts of \$10,000)	19,397	0	19,397
 TOTAL ASSETS	 120,856	 264	 121,120
 <u>LIABILITIES</u>	 0	 0	 0
 <u>NET POSITION</u>			
Restricted for:			
Scholarships and Memorials	\$ 120,856	\$ 264	\$ 121,120



REED CITY AREA PUBLIC SCHOOLS  
REED CITY, MICHIGAN

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FIDUCIARY NET POSITION  
PRIVATE PURPOSE TRUST FUNDS

YEAR ENDED JUNE 30, 2018

	<u>JEWELL</u>	<u>EMPLOYEE</u>	<u>TOTAL</u>
	<u>SCHOLARSHIP</u>	<u>SCHOLARSHIP</u>	
<u>ADDITIONS</u>			
Donations	\$           0	\$           798	\$           798
Interest and Dividends	766	2	768
TOTAL ADDITIONS	766	800	1,566
 <u>DEDUCTIONS</u>			
Scholarship Awards	0	2,300	2,300
Change in Net Position	766	(1,500)	(734)
 <u>NET POSITION</u> - Beginning of Year	120,090	1,764	121,854
<u>NET POSITION</u> - End of Year	\$   120,856	\$       264	\$   121,120

REED CITY AREA PUBLIC SCHOOLS  
REED CITY, MICHIGAN

STATEMENT OF FIDUCIARY NET POSITION  
AGENCY FUNDS

JUNE 30, 2018

	NORMAN ELEMENTARY ACCOUNT	MIDDLE SCHOOL ACCOUNT	HIGH SCHOOL ACCOUNT	ATHLETIC FUNDRAISING ACCOUNT	BEVERAGE CONSORTIA ACCOUNT	TOTAL
<u>ASSETS</u>						
Cash and Cash Equivalents	\$ 15,319	\$ 23,125	\$ 66,053	\$ 89,941	\$ 3,974	\$ 198,412
<u>LIABILITIES</u>						
Accounts Payable	0	0	0	127	0	127
Due to Groups and Organizations	15,319	23,125	66,053	89,814	3,974	198,285
TOTAL LIABILITIES	15,319	23,125	66,053	89,941	3,974	198,412
<u>NET POSITION</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>

REED CITY AREA PUBLIC SCHOOLS  
REED CITY, MICHIGAN

STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND BALANCE  
AGENCY FUND - NORMAN ELEMENTARY SCHOOL ACCOUNT

YEAR ENDED JUNE 30, 2018

	BALANCE 7/1/2017	RECEIPTS (Including Transfers)	DISBURSEMENTS	BALANCE 6/30/2018
1st Grade	\$ 100	\$ 0	\$ 0	\$ 100
2nd Grade	2	0	0	2
3rd Grade	520	0	0	520
4th Grade	170	0	0	170
5th Grade	8	0	0	8
Accelerated Reader	38	0	0	38
Activity	4,822	2,068	4,383	2,507
Book Fair	45	8,736	8,781	0
Dollar General/Hop Sports MS	57	0	0	57
Family Fun Night	33	0	33	0
Family School Service	314	0	0	314
Fitness Program	70	0	0	70
Fun Fours	30	0	0	30
General Mills Foundation / Jo Knack	358	0	0	358
General Mills Foundation	4,002	200	188	4,014
Interest Fund	265	33	0	298
Library	605	56	600	61
LIFT	12	0	0	12
Meemic Foundation / Guiney	261	900	492	669
Nutrition Grant	557	0	0	557
Osceola County Foundation Grant	2,188	1,092	1,038	2,242
Pop	1	0	0	1
PTO Fund	241	0	85	156
Safety Patrol	20	0	0	20
Target	1,580	0	0	1,580
TransCanada	1,116	0	769	347
United Way Grant	1,188	0	0	1,188
	<u>\$ 18,603</u>	<u>\$ 13,085</u>	<u>\$ 16,369</u>	<u>\$ 15,319</u>

Represented by

Assets

Cash

\$ 18,603

\$ 15,319

Liabilities

Due to Groups and Organizations

\$ 18,603

\$ 15,319

REED CITY AREA PUBLIC SCHOOLS  
REED CITY, MICHIGAN

STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND BALANCE  
AGENCY FUND - MIDDLE SCHOOL ACCOUNT

YEAR ENDED JUNE 30, 2018

	BALANCE 7/1/2017	RECEIPTS (Including Transfers)	DISBURSEMENTS	BALANCE 6/30/2018
6th Grade	\$ 499	\$ 5,427	\$ 5,670	\$ 256
7th Grade	16	5,504	5,520	0
8th Grade	4,003	16,868	19,145	1,726
ACT Aspire	205	0	0	205
Art Club	22	800	799	23
Band Resales	39	0	0	39
Band Sales	683	255	828	110
CBI Classroom	920	1,710	2,006	624
Counseling	69	145	213	1
EGG	443	470	484	429
Finance Class	7,313	7,556	7,856	7,013
Friday Adventure Revenue	83	0	83	0
Grant Money	290	0	0	290
Interest	31	56	79	8
Language Arts Books	745	0	242	503
Math Counts	186	927	1,113	0
Math Department	17	0	0	17
Osceola Foundation	592	0	0	592
PAT	254	6,958	7,147	65
Peer to Peer	0	0	0	0
Pep Club	2,114	232	950	1,396
Pop Fund	199	286	431	54
RCMS Green	427	0	0	427
Robotics Revenue	641	5,520	4,334	1,827
School Improvement	85	0	0	85
Science Department	1,033	248	520	761
Shop Department	38	803	692	149
Ski Club	1,172	1,425	1,996	601
Special Education	0	2,296	1,076	1,220
Student Activity	0	235	0	235
Student Council	5,902	1,889	3,731	4,060
Track	120	0	0	120
World Cultures Revenue	0	1,125	1,036	89
Yearbook	1,093	769	1,662	200
	<u>\$ 29,234</u>	<u>\$ 61,504</u>	<u>\$ 67,613</u>	<u>\$ 23,125</u>
Represented by				
Assets				
Cash	<u>\$ 29,234</u>			<u>\$ 23,125</u>
Liabilities				
Due to Groups and Organizations	<u>\$ 29,234</u>			<u>\$ 23,125</u>

REED CITY AREA PUBLIC SCHOOLS  
REED CITY, MICHIGAN

STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND BALANCE  
AGENCY FUND - HIGH SCHOOL ACCOUNT

YEAR ENDED JUNE 30, 2018

	BALANCE 7/1/2017	RECEIPTS (Including Transfers)	DISBURSEMENTS	BALANCE 6/30/2018
Advance Placement English	\$ 476	\$ 1,153	\$ 960	\$ 669
Annual (Yearbook)	16,193	8,802	11,398	13,597
Bailey Scholarship	240	0	0	240
Chicago Trip	276	0	0	276
Choral Music	158	6,417	6,565	10
Class of 2006	1,177	0	0	1,177
Class of 2007	526	0	0	526
Class of 2009	30	0	0	30
Class of 2010	2,303	0	0	2,303
Class of 2011	150	0	0	150
Class of 2014	414	0	0	414
Class of 2016	1,008	0	1,008	0
Class of 2017	1,023	0	0	1,023
Class of 2018	1,548	5,062	5,768	842
Class of 2019	3,687	10,086	11,257	2,516
Class of 2020	572	3,029	1,274	2,327
Class of 2021	0	4,918	2,216	2,702
Coke Account	1,020	799	1,151	668
Counseling	2,909	1,717	1,441	3,185
Creative Writing	554	0	0	554
Dance Team	1	219	199	21
E.G.G.	361	453	311	503
Elementary Robotics	0	260	0	260
English/Math	654	0	0	654
Equestrian Team	604	5,060	4,678	986
Fees	177	0	0	177
FIRST Robotic Team	4,246	28,805	27,679	5,372
Gen Mills P.E. Grant	16	0	0	16
Grant Fund	1,104	0	0	1,104
GRBS Scholarship	3,000	2,000	2,000	3,000
Health Education - Drug Free	1,978	808	1,660	1,126
High School Improvement	1,950	233	875	1,308
Industrial Arts	1,162	1,074	1,732	504
Interest	122	251	0	373
Leadership	523	0	523	0
National Art	905	927	486	1,346

REED CITY AREA PUBLIC SCHOOLS  
REED CITY, MICHIGAN

STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND BALANCE  
AGENCY FUND - HIGH SCHOOL ACCOUNT

YEAR ENDED JUNE 30, 2018

	BALANCE 7/1/2017	RECEIPTS (Including Transfers)	DISBURSEMENTS	BALANCE 6/30/2018
National Honor Society	705	4,631	4,495	841
Pay It Forward	610	250	0	860
Pepsi Cola Fund	179	203	258	124
Project Outreach	270	0	0	270
Quizbowl	533	0	41	492
Restitution Account	91	0	0	91
Science Dome	1,810	1,553	1,466	1,897
Ski Club	471	0	0	471
Spanish Club	1,928	11,030	12,338	620
Student Council	6,733	5,479	5,173	7,039
Student Parking Permit	725	670	523	872
Transcript Account	25	20	0	45
Vending Machine	1,021	494	301	1,214
Weight Room	127	2,200	1,557	770
Welding	100	0	0	100
Wes Leonard	372	0	0	372
Youth Advisory Committee	54	500	538	16
	<u>\$ 66,821</u>	<u>\$ 109,103</u>	<u>\$ 109,871</u>	<u>\$ 66,053</u>
Represented by				
Assets				
Cash	<u>\$ 66,821</u>			<u>\$ 66,053</u>
Liabilities				
Due to Other Funds	\$ 0			\$ 0
Due to Groups and Organizations	<u>66,821</u>			<u>66,053</u>
Total Liabilities	<u>\$ 66,821</u>			<u>\$ 66,053</u>

REED CITY AREA PUBLIC SCHOOLS  
REED CITY, MICHIGAN

STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND BALANCE  
AGENCY FUND - ATHLETIC FUNDRAISING ACCOUNT

YEAR ENDED JUNE 30, 2018

	BALANCE 7/1/2017	RECEIPTS (Including Transfers)	DISBURSEMENTS	BALANCE 6/30/2018
Athletic Director	\$ 5,553	\$ 9,718	\$ 6,606	\$ 8,665
Baseball	532	5,169	3,257	2,444
Boys Basketball	4,567	15,582	12,340	7,809
Boys Soccer	1,907	2,233	1,609	2,531
Cheer	2,058	2,987	3,255	1,790
Cross Country	0	2,716	1,595	1,121
Football	7,450	21,479	23,921	5,008
Girls Basketball	2,831	4,524	4,693	2,662
Girls Soccer	1,701	150	593	1,258
Golf	1	0	0	1
Interest	191	17	155	53
Invitational	18,630	4,760	2,214	21,176
Little League	298	3,917	3,915	300
MHSAA Tournament	13,211	37,206	30,496	19,921
School Store	570	0	0	570
Softball	3,305	4,720	4,262	3,763
Track	3,213	5,493	5,346	3,360
Volleyball	760	3,785	3,860	685
Wrestling	1,274	3,445	3,016	1,703
Annual Golf Outing	6,430	14,845	16,281	4,994
	<u>\$ 74,482</u>	<u>\$ 142,746</u>	<u>\$ 127,414</u>	<u>\$ 89,814</u>
Represented by				
Assets				
Cash	<u>\$ 74,482</u>			<u>\$ 89,941</u>
Liabilities				
Accounts Payable	\$ 0			\$ 127
Due to Groups and Organizations	74,482			89,814
Total Liabilities	<u>\$ 74,482</u>			<u>\$ 89,941</u>

REED CITY AREA PUBLIC SCHOOLS  
REED CITY, MICHIGAN

STATEMENT OF CASH RECEIPTS, DISBURSEMENTS, AND BALANCE  
AGENCY FUND - BEVERAGE CONSORTIA ACCOUNT

YEAR ENDED JUNE 30, 2018

	<u>BALANCE</u>	<u>RECEIPTS</u>	<u>DISBURSEMENTS</u>	<u>BALANCE</u>
	<u>7/1/2017</u>	<u>(Including Transfers)</u>		<u>6/30/2018</u>
Beverage Consortia	\$ 3,283	\$ 1,129	\$ 438	\$ 3,974
Represented by				
Assets				
Cash	<u>\$ 3,283</u>			<u>\$ 3,974</u>
Liabilities				
Due to Groups and Organizations	<u>\$ 3,283</u>			<u>\$ 3,974</u>



REED CITY AREA PUBLIC SCHOOLS  
REED CITY, MICHIGAN

SCHEDULE OF BONDS PAYABLE

JUNE 30, 2018

2012 REFUNDING BONDS

<u>TITLE OF ISSUE</u>	2012 Refunding Bonds
<u>PURPOSE</u>	Advance refunding of a portion of the 2004 School Building and Site Bonds
<u>INTEREST PAYABLE</u>	May 1, and November 1, of each year
<u>AMOUNT OF ISSUE</u>	<u>\$ 3,030,000</u>

<u>DUE DATES</u>	<u>INTEREST RATES</u>	<u>REQUIREMENTS</u>			
		<u>TOTAL FISCAL YEAR</u>	<u>SEMI-ANNUAL INTEREST PAYMENTS</u>		<u>PRINCIPAL MAY 1</u>
			<u>NOV 1</u>	<u>MAY 1</u>	
2019	3.000 %	\$ 739,100	\$ 14,550	\$ 14,550	\$ 710,000
2020	3.000 %	267,800	3,900	3,900	260,000
		<u>\$ 1,006,900</u>	<u>\$ 18,450</u>	<u>\$ 18,450</u>	<u>\$ 970,000</u>

REED CITY AREA PUBLIC SCHOOLS  
REED CITY, MICHIGAN

SCHEDULE OF BONDS PAYABLE  
JUNE 30, 2018

2015 REFUNDING BONDS

<u>TITLE OF ISSUE</u>	2015 Refunding Bonds
<u>PURPOSE</u>	Advance refunding of the 2015 School Building and Site Bonds
<u>INTEREST PAYABLE</u>	May 1, and November 1, of each year
<u>AMOUNT OF ISSUE</u>	<u>\$ 7,645,000</u>

<u>DUE DATES</u>	<u>INTEREST RATES</u>	<u>REQUIREMENTS</u>			
		<u>TOTAL FISCAL YEAR</u>	<u>SEMI-ANNUAL INTEREST PAYMENTS</u>		<u>PRINCIPAL MAY 1</u>
			<u>NOV 1</u>	<u>MAY 1</u>	
2019	3.000 %	\$ 352,100	\$ 151,050	\$ 151,050	\$ 50,000
2020	4.000 %	815,600	150,300	150,300	515,000
2021	4.000 %	1,075,000	140,000	140,000	795,000
2022	4.000 %	1,053,200	124,100	124,100	805,000
2023	4.000 %	1,016,000	108,000	108,000	800,000
2024	4.000 %	974,000	92,000	92,000	790,000
2025	4.000 %	932,400	76,200	76,200	780,000
2026	4.000 %	891,200	60,600	60,600	770,000
2027	4.000 %	850,400	45,200	45,200	760,000
2028	4.000 %	810,000	30,000	30,000	750,000
2029	4.000 %	780,000	15,000	15,000	750,000
		<u>\$ 9,549,900</u>	<u>\$ 992,450</u>	<u>\$ 992,450</u>	<u>\$ 7,565,000</u>

REED CITY AREA PUBLIC SCHOOLS  
REED CITY, MICHIGAN

SCHEDULE OF BONDS PAYABLE  
JUNE 30, 2018

2016 SCHOOL BUILDING AND SITE BONDS

TITLE OF ISSUE 2016 School Building and Site Bonds

PURPOSE Partially remodeling, furnishing and refurbishing, and equipping and reequipping school facilities; acquiring, installing and equipping school facilities for instructional technology; purchasing and equipping school buses; constructing, equipping, developing and improving the high school athletic field/running track, athletic facilities, a playground and sites.

INTEREST PAYABLE May 1, and November 1, of each year

AMOUNT OF ISSUE \$ 3,850,000

<u>DUE DATES</u>	<u>INTEREST RATES</u>	<u>REQUIREMENTS</u>			
		<u>TOTAL FISCAL YEAR</u>	<u>SEMI-ANNUAL INTEREST PAYMENTS</u>		<u>PRINCIPAL MAY 1</u>
			<u>NOV 1</u>	<u>MAY 1</u>	
2019	2.000 %	\$ 180,063	\$ 45,032	\$ 45,031	\$ 90,000
2020	2.000 %	193,263	44,131	44,132	105,000
2021	2.000 %	201,163	43,082	43,081	115,000
2022	2.000 %	223,863	41,931	41,932	140,000
2023	2.000 %	261,062	40,531	40,531	180,000
2024	2.000 %	302,462	38,731	38,731	225,000
2025	2.000 %	342,962	36,481	36,481	270,000
2026	2.000 %	382,562	33,781	33,781	315,000
2027	2.250 %	421,262	30,631	30,631	360,000
2028	2.500 %	458,162	26,581	26,581	405,000
2029	2.750 %	483,038	21,519	21,519	440,000
2030	2.750 %	590,938	15,469	15,469	560,000
2031	2.750 %	580,538	7,769	7,769	565,000
		<u>\$ 4,621,338</u>	<u>\$ 425,669</u>	<u>\$ 425,669</u>	<u>\$ 3,770,000</u>



